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Placer Dome Inc.

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Edmonton, Alberta T6A 2B6

2002 Annual Report

PdG

results



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**PLACER DOME** is the world's fifth largest gold mining company, pursuing quality assets around the world. Our core gold business is strengthened by the contributions of our copper and silver assets.

Headquartered in Vancouver, Canada, PDG now has interests in 17 mines employing 12,000 people in six countries around the world. With a market capitalization of US\$4.7 billion as of December 31, 2002, Placer Dome is traded on the New York, Toronto and Australian Stock Exchanges, as well as Euronext-Paris.

Placer Dome expects to produce 3.5 million ounces of gold, 427 million pounds of copper and 4 million ounces of silver in 2003. Our financial strength is underpinned by a portfolio of gold assets that has been enhanced by the addition of the AurionGold assets, complemented by a strong balance sheet and significant and predictable cash flow.





# 2002 in review

- Placer Dome acquired AurionGold Limited of Australia, adding one million ounces of new production annually;
- Three development projects were advanced during the year, helping to increase gold reserves by 19% and resources by 84%;
- Mine operating earnings totalled \$324 million;
- Cash flow from operations totalled \$320 million or \$0.92 per share;
- In 2002, Placer Dome generated its highest net earnings in 12 years — \$116 million.

	2002	2001	2000
<b>Financial</b> (millions of United States dollars, except per share amounts)			
Sales	1,209	1,223	1,413
Mine operating earnings	324	336	442
Net earnings (loss)	116	(133)	(92)
Per share	0.33	(0.41)	(0.28)
Cash flow from operations	320	340	343
Per share <sup>(1)</sup>	0.92	1.04	1.05
Dividend (\$/share)	0.10	0.10	0.10
<b>Operating</b> (The Corporation's share)			
Gold production (millions of oz)	2.82	2.76	2.98
Cash costs (\$/oz)	178	175	172
Total costs (\$/oz)	231	231	231
Gold reserves (millions of oz)	52.9	44.5	47.0
Copper production (millions of lbs)	427	417	430
Cash costs (\$/lb)	0.45	0.45	0.45
Total costs (\$/lb)	0.58	0.58	0.64
Copper reserves (millions of lbs)	7,362	8,950	11,168
<b>Stakeholders</b>			
Shares outstanding at Dec. 31 (millions)	409	329	328
Shareholders on record at Dec. 31	16,738	18,964	18,727
Employees	12,000	11,100	12,000

<sup>(1)</sup>Cash flow from operations per share is a non-GAAP measure that does not have any standardized meaning as prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other entities.



# To our shareholders

**2002 was an excellent year, marking our highest net earnings in more than a decade and increased growth. The company set a new quarterly earnings record and a new quarterly production record. We completed two transactions that help secure long-term production in Australia and Canada, in two of the most prolific gold belts in the world, making Placer Dome the fifth largest gold producer in the world. And finally, we advanced three major development projects that together host measured, indicated and inferred resources of nearly 30 million ounces of gold. Our objective is to bring these projects onstream over the next decade.**

Despite these significant achievements, there remain two areas in which we will redouble our efforts in 2003: safety and share price appreciation.

In 2002, eight of our employees lost their lives at work — this is unacceptable. We have implemented a critical incident initiative and a safety management program to help us eliminate unsafe work practices. Our goal is to reach triple zero; no incidents requiring medical aid, no injuries causing lost time and most importantly, no fatalities. Every one of our employees must return home safely at the end of his or her shift and we will persist until we reach this goal.

Our second area of focus in 2003 will be to bring our share price up to a level that better reflects the increased value of the corporation. Placer Dome's share price rose 5.4% between December 31, 2001 and December 31, 2002, while the gold price appreciated 24%. The issuance

of 78 million new shares as part of the AurionGold acquisition and their subsequent absorption into the market, combined with the removal from the S&P 500 Index on the New York Stock Exchange of all non-US companies, had a significant dampening effect on our share price. Investor relations efforts will be aimed at increasing investor understanding of the portfolio diversity and strong financial and operating results we represent.

In 2002, these results included setting a new record high for quarterly earnings. In the fourth quarter we recorded our highest quarterly production in the company's history. Most significant, however, was our successful acquisition of AurionGold Limited of Australia. The acquisition consolidates two existing joint ventures, giving Placer Dome 100% ownership of the Granny Smith mine and 75% ownership of Porgera, allowing us to reduce management



and administrative costs at these assets immediately.

In addition, we acquired the Kanowna Belle and Henty mines as well as the Kalgoorlie West operations. Overall, the acquisition is expected to add one million ounces of new production annually for the next 10 years from a combination of existing reserves and future developments from the extensive package of highly prospective exploration properties in the prolific Kalgoorlie region of Western Australia.

Earlier in the year, we also completed a deal with Kinross Gold Corporation to consolidate the Timmins mining camp, which has produced 65 million ounces of gold over the past century. The focus of the new (51%) Porcupine Joint Venture is to extend the life of the Dome mill through an aggressive underground and surface exploration program of the 6,500 kilometre land package (100%). A feasibility study has been updated on the 1.6 million ounce Pamour pit (100%) and our objective is to move to this deposit once the Dome open pit is depleted in the first quarter of 2005.

Together, these acquisitions host the potential for immediate growth in first-world production. Combined with the very long life of the South Deep mine in South Africa and the long-term potential of three of our development properties, Placer Dome now has a stable platform for measured, sustainable growth over the next decade and beyond. Even at the conservative gold price assumption of \$300/oz, the addition of AurionGold's reserves and resources and the inclusion of development properties increased our reserves by 19% and our resources by 84%. Our company now has 53 million ounces of proven and probable gold reserves and an additional 75 million ounces of measured and indicated resources.

Nearest to completion of our development projects is the Getchell mine in Nevada. While the depressed gold prices of the last several years caused us to shut down production, test mining of the Turquoise Ridge deposit and an economic evaluation of the Getchell deposit show a restart of the mine to be viable. We have now identified mineable reserves of 2.7 million ounces of gold, with an additional 1.5 million ounces of measured and indicated resources that we will work to convert to reserves. In 2003, we expect Getchell to produce approximately 89,000 ounces. We will announce a full production plan in the first half of this year.

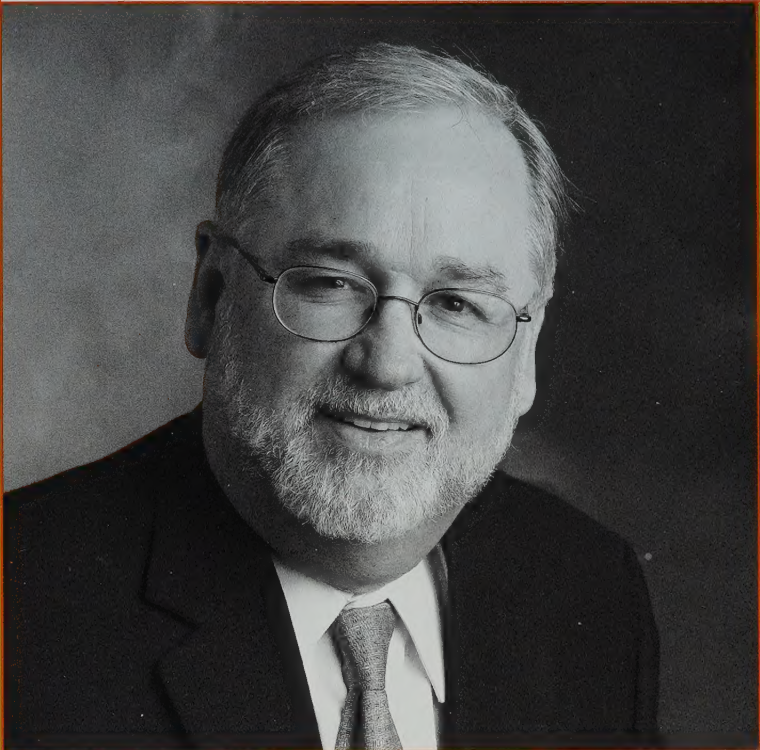
Our second development project in the works is the Pueblo Viejo gold property in the Dominican Republic. A feasibility study is underway and Placer Dome has four years to make a production decision, although we expect to complete the study in two years. This metallurgically challenging project currently hosts measured and indicated mineral resource of 16.8 million ounces of gold.

The third development project is the early-stage Donlin Creek project in Alaska. We currently hold a 30% interest in the project, and have elected to become joint-venture manager and increase our stake to 70%. We can vest our interest by investing approximately \$30 million over five years, completing a feasibility study and making the decision to proceed to production. Work this year will focus on updating the resource estimates and addressing the project's substantial infrastructure needs.

At the South Deep mine in South Africa we also continued development work in 2002 with the completion of the new mill and the sinking of the new shaft. The new shaft is expected to be commissioned by the end of 2003 and will make a major contribution to the mine's forecast ramp up in production to 700,000 ounces per year by 2007. We



**Placer Dome has a stable platform for measured, sustainable growth over the next decade and beyond. Even at the conservative gold price assumption of \$300/oz, our company now has 53 million ounces of proven and probable gold reserves and 75 million ounces of measured and indicated resources.**



view South Africa as one of the most prospective areas in the world for gold mining, but we will monitor the effects of the government of South Africa's legislative efforts at social reform. We will remain actively engaged in the consultation process to help ensure the future stability of our investments.

Rounding out the year was a dramatic upswing in the outlook for gold, and with it, much investor discussion about the financial advantages of hedging. We have always managed our forward sales program to meet financial objectives such as realizing a premium over the spot price. This remains the focus of our strategy. During 2002, given a more positive outlook for gold and the impending integration of the larger AurionGold hedge book, we reduced our committed ounces from 8.8 to 6.9 million. During the year we realized a \$32/oz premium over the average spot price of gold of \$310/oz for 2002, contributing \$82 million to revenue. Now that we have integrated the AurionGold

hedgebook, our net committed ounces stand at 12.6 million, or 24% of reserves. Our objective is to significantly reduce our overall hedge position. In 2003 we will reduce our committed ounce position by at least one million ounces by delivering into contracts and closing out positions as quickly and opportunistically as market conditions allow. We will continue to set strong financial targets for the program.

On behalf of the Board of Directors I would like to welcome our new shareholders and thank you, our long-term investors, for your continued interest and support. Placer Dome's employees worked very hard on your behalf and accomplished a great deal in 2002. I am looking forward to an even more rewarding 2003.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. K. Taylor". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

**JAY K. TAYLOR**

*President and CEO*

March 2003



# Setting a new gold standard



## OUR PHILOSOPHY

Placer Dome is committed to identifying and implementing best practices in finding, building, operating and closing mines, and in doing so, building a sustainable future for the company, its shareholders, employees and local communities.

Increasing the capacity of those communities and taking care of the environment while improving the economic and social well-being of employees and shareholders are fundamental values at Placer Dome. Balancing the needs of the company's many stakeholders, both today and in the future, is the way Placer Dome does business.



**OUR STRATEGY**

**Placer Dome is increasing shareholder value by adding to its high-quality portfolio of gold-producing assets to achieve sustainable, long-term growth in cash flow and earnings per share. PDG's three-part value-creation strategy emphasizes the optimization of existing assets, augmented by prudent investments in high-quality new assets and in technological developments that will lower costs and provide a competitive advantage technically, environmentally and socially.**

Each of Placer Dome's 17 operations worldwide strives to maximize its financial return to the shareholders while operating to the highest community standards. A key to optimizing the long-term performance of the mines is the Mine Exploration (Minex) program. Since 1996, Placer Dome has replaced 70% of its mined ounces on an ongoing basis at a cash cost of just \$10-\$20 per ounce. Extensive programs are underway in the Kalgoorlie region of Western Australia, around the Cortez property in Nevada, and in the Timmins and Red Lake camps in northern Ontario, four of the most prolific gold producing regions of the world.

The second plank of Placer Dome's value-creation strategy is to add high-quality assets through a focused, disciplined approach to acquisitions, project development and exploration. The acquisition of AurionGold Limited of Australia helped return Placer Dome to the position of the fifth largest gold producer in the world, while the joint venture with Kinross Gold Corporation in Ontario secured

access to potential long-term reserves in Canada. On the project development front, the company has ownership interests in four of the largest undeveloped gold deposits in the world — Getchell in the US, Pueblo Viejo in the Dominican Republic, Donlin Creek in the US and Aldebaran in Chile. Over the past year, Placer Dome advanced three of these projects.

In 2002, the company completed test mining of the Turquoise Ridge deposit and contract mining of the Getchell deposit to evaluate its economic feasibility. The mine will produce approximately 89,000 ounces of gold in 2003 while PDG determines which of several viable options will be used to ramp up to full production. In 2002 the company also initiated a feasibility study on the Pueblo Viejo property in the Dominican Republic. A production decision is expected on this 17-million ounce property by 2005. The Donlin Creek property was advanced by the participation of NovaGold and in February, 2003 Placer Dome elected to exercise its option to become joint-venture manager and earn back a

70% interest in the project. The fourth project, the Aldebaran gold/copper project in Chile, is fully permitted and is awaiting higher gold and copper prices. Combined, these projects host more than 43 million ounces of resources. It is the company's objective to bring at least one of these projects onstream over the course of the next decade.

The third plank of the strategy is innovation through research and technology. Over the past four years, Placer Dome's Research and Technology group has secured eight patents, with eight more pending or in the final stages of application. In 2002, Placer Dome and project partners such as Vehicle Projects LLC of Denver, completed the underground testing of a fuel-cell locomotive, the use of which would eliminate underground diesel emissions resulting in a safer work environment and lower ventilation costs. In the fourth quarter, a quarry test was conducted on the Mini-Mole, a breakthrough device that will allow for remote mining in narrow structures, improving safety and

lowering costs at mines such as South Deep. At the Cortez mine, Placer Dome is testing two competing processes, one an alternative to cyanide, in the recovery of gold from certain carbonaceous ore types.

In 2003, Placer Dome expects to produce 3.5 million ounces of gold at cash and total costs of \$194/oz and \$256/oz respectively, and will produce 400 million pounds of copper at cash and total costs of \$0.49/lb and \$0.64/lb respectively. The company continues to focus on quality and a high profit margin per ounce. Further, it expects to generate significant cost savings and competitive advantage by 2004 from an enterprise-wide initiative to consolidate and standardize business processes across all regions.

In total, Placer Dome's strategic business plan is expected to produce a high-quality portfolio of gold mining assets with production costs in the lowest tercile of world costs, a strong balance sheet, an investment-grade credit rating and stable, long-term growth in cash flow.



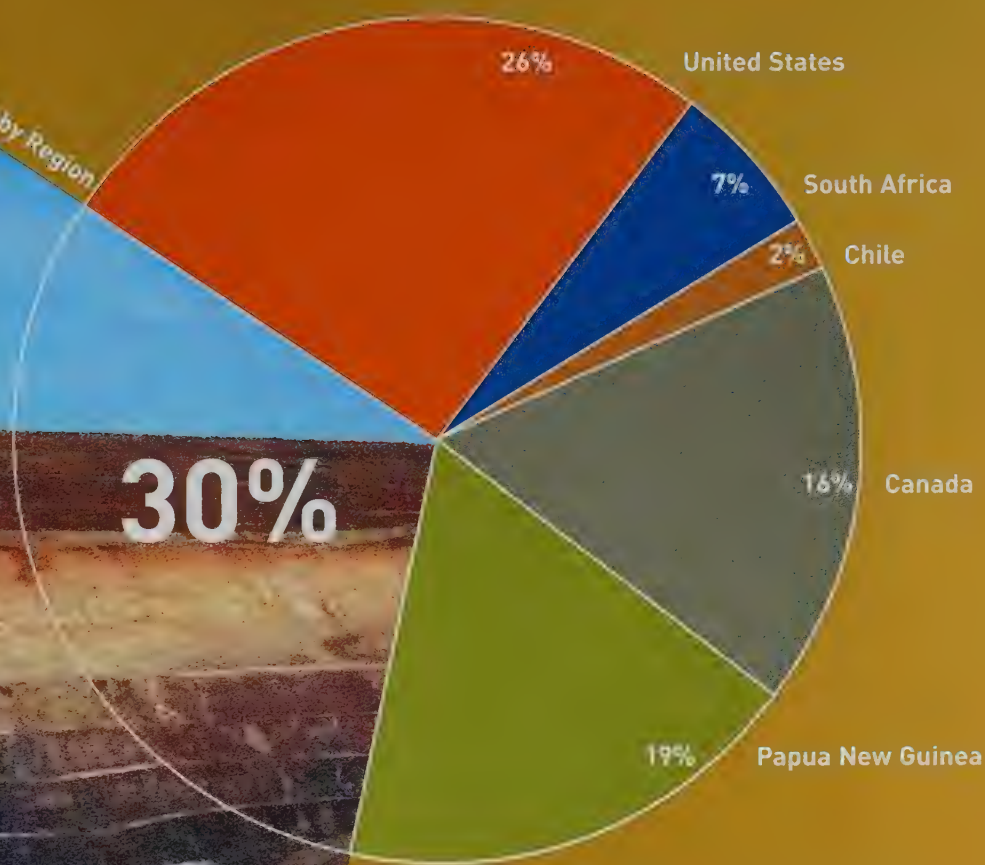
**PLACER DOME** has a long and successful history of operating in the Australian mining industry and has been a significant explorer and producer in the region for 70 years. The addition of the AurionGold assets increases the company's presence in and commitment to one of the world's foremost gold belts. Placer Dome is now Australia's second largest gold producer. The combination is expected to create long-term value for shareholders based on a range of operational, financial and synergistic benefits, enhancing Placer Dome's growth potential and appeal to global investors.

# PDG acquires AurionGold





Expected 2003 Gold Production by Region



The acquisition of AurionGold is consistent with Placer Dome's strategy of investing in world-class gold assets and then optimizing their performance. The company expects to realize significant synergies in the areas of operation, administration, exploration and financing and will benefit from consolidation of the previously existing interests in the Granny Smith and Porgera mines. Placer Dome also benefits from the addition of AurionGold's exploration projects in the gold-rich Eastern Goldfields region, which fit well into Placer Dome's global gold mining portfolio.

Placer Dome is among the most active explorers in the gold industry. The company's global presence, technical skills and financial strength represent a significant advantage in identifying new growth opportunities. In 2003, PDG expects to invest \$60 million on identifying, evaluating, acquiring and exploring for new projects. Approximately \$8 million of this money is earmarked for exploration around Placer Dome's new mines in the Kalgoorlie region — Kanowna Belle and Kalgoorlie West.





## KANOWNA BELLE

Gold was first discovered at Kanowna in 1893, but discovery of the Kanowna Belle deposit took almost another century. The deposit was discovered in 1990 and the mine poured its first gold in 1993. Since then, Kanowna Belle has become one of Australia's premier underground gold mines, pouring its two millionth ounce of gold in August, 2002. The operation currently produces more than 240,000 ounces of gold per year at cash costs

of approximately \$175/oz. The mine hosts another two million ounces of proven and probable reserves and 1.5 million ounces of measured and indicated resources.

The first phase of the deposit was mined from an open pit, until December 1998 when access shifted to a 1,100 metre underground decline. The mine currently runs 65-tonne trucks, the largest trucks in use underground in Australia. The defined orebody at Kanowna Belle currently extends to approximately 1,200 metres below surface with further potential at depth,

particularly to the west. Placer Dome now holds Kanowna Belle's 600 square kilometre land package and will be exploring the area actively for additional satellite deposits.

Ore from the Kanowna Belle mine is refractory, meaning it is hosted in sulphide material and must be "roasted" at high temperatures before being sent to a conventional carbon-in-leach circuit. The original plant capacity was designed to process 1.6 million tonnes of ore per year, however, continu-

ous improvements have increased annual throughput to more than 1.8 million tonnes, with gold recovery increasing to more than 90%. Any additional sulphide refractory deposits discovered on Placer Dome's Kalgoorlie ground would be processed through the Kanowna Belle mill.

The focus for the mine in 2003 is on meeting triple zero safety targets — no medical aids, no lost-time incidents and no fatalities— on increasing ore supply to meet mill capacity and on maintaining a competitive cost structure.





#### KALGOORLIE WEST

Cumulative historical production from Kalgoorlie West currently stands at more than 3.1 million ounces. The operation is a collection of many different deposits and several processing plants. In all, ore from 21 open pits and five underground mines will be processed at Kalgoorlie West. In total, the operation is expected to produce 381,000 ounces of gold at a cash cost of \$230/oz in 2003.

As is typical in the Kalgoorlie region, the Kalgoorlie West operation has developed in stages. The Paddington deposit was first mined by open pit in 1984. In 1988, the Kundana open pit was developed, and then moved to underground

production in 1994. By 1996, Kundana had produced more than one million ounces of gold. In 2000, the Raleigh deposit was discovered and open pit mining began. Drilling has confirmed the continuity of mineralization at depth. Kalgoorlie West hosts a proven and probable mineral reserve of 1.5 million ounces, with an additional 3.2 million ounces of measured and indicated resources.

Currently, the various oxide ore sources are processed using conventional crushing, grinding and carbon-in-pulp recovery at a capacity of more than four million tonnes per year. The mine's long-term objective is to reduce its total cost of production to \$200/oz.

#### HENTY

Opened in 1996, the Henty underground gold mine is located on the West Coast of Tasmania adjacent to the Southwest Conservation Area. The mine demonstrates that a modern mining operation can co-exist with the natural environment and still maintain excellent rates of production and cost performance. Disturbed areas of the minesite are rehabilitated progressively as they are completed.

Ore is sourced from a number of different zones and processed through a conventional carbon-in-pulp/carbon-in-leach facility. Surface as well as underground drilling in 2001 and 2002 identified the Mt. Julia and Darwin zones. These zones have given the Henty operation a new lease on life. Proven and probable reserves stand at approximately 400,000 ounces, sufficient for another four to five years of production at current rates of 95,000 ounces per year with a forecast cash cost of \$183/oz in 2003.





The Kalgoorlie tenement holding in Western Australia forms a land package of more than 5,000 square kilometres in one of the most prospective gold camps in the world. The Kalgoorlie gold rush began in 1893 and since that time, the area has produced 60 million ounces of gold. Currently, Western Australia supplies 75% of Australia's total gold production and about 8% of the world's gold production.

Historically, the majority of organized exploration has been conducted above the first 100 metres since most deposits are shallow and run from surface. Placer Dome's regional exploration activities in 2003 will focus on identifying deeper drill targets and expanding the known reserve base in the area.

Highly prospective areas include the ABC, Strzelecki and Barkers lines of deposits all in the Kundana and EKIV region to the depth of 500 metres below surface. Other targets will also be tested at the Kanowna Belle Extension and elsewhere. Currently, new ore sources are being developed from the Red Hill and Bullant deposits, pictured here.





# Operations Highlights

Gold Reserves (millions of ozs)



The optimization of assets is a fundamental underpinning of Placer Dome's long-term value creation strategy. In 2002, the company began a global initiative to standardize and improve business processes across the organization. This series of projects is expected to generate significant cost savings and provide a competitive advantage.

The company's gold mines performed well in 2002, maintaining production of 2.8 million ounces of gold at a total cost of \$231/oz for the year. In the fourth quarter, Placer Dome recorded its highest-ever quarterly production of 917,000 ounces, due primarily to the inclusion of two months of production from the AurionGold assets. Production in 2003 is expected to rise to 3.5 million ounces of gold.

Globally, the company's proven and probable mineral reserves increased 19% over 2001 levels, rising to 52.9 million ounces. Placer Dome also has an additional 74.5 million ounces of measured and indicated mineral resources at its existing operations and development projects, based on a conservative gold price assumption of \$300/oz.



## CANADA

Since the 1909 discovery of the vast Dome deposit, Placer Dome has had a strong presence in Canada. The Archean gold belts of northern Ontario, where we operate three properties, remain a key region for the company.

The **Dome** mine is the longest continuously operating gold mine in Canada. During its 93 years the mine has produced in excess of 14.5 million ounces of gold. Traditionally an underground mine, open pit mining now contributes about 80% of production.

In 2002 Placer Dome entered into an agreement with Kinross Gold to combine the

Dome mine and mill with three Kinross mines in the region. Known as the **Porcupine Joint Venture**, the combination of these operations creates significant synergies and extends the productive life of the Dome facilities. Placer Dome owns 51% of the joint venture and is the operator. With mining at Dome expected to conclude in 2005, the focus will be to add new reserves and resources through an aggressive and targeted exploration program on the highly prospective land package in the region.

The Red Lake district of northwestern Ontario hosts the underground **Campbell** mine, which has produced

more than 10 million ounces since 1949. In 1999 a new shaft increased production efficiencies and opened up exploration potential at deeper levels, where development work in the DC zone is ongoing. A new mine plan has secured production of more than 200,000 ounces annually for the next six years.

The newest entry into the Canadian stable is the 68% owned **Musselwhite** underground mine, which began producing gold in 1997. The original mine plan called for production of three million ounces over 15 years, and by late 2001 Musselwhite had already poured its one millionth ounce.



**George Pirie**  
Executive Vice-President,  
Canada



## THE UNITED STATES

More than 75% of all the gold produced in the US each year comes from deposits in the state of Nevada, which ranks third in the world behind South Africa and Australia for global production.

In northeastern Nevada, Placer Dome owns 60% of the **Cortez** gold mine, which recorded its fifth consecutive year of production in excess of one million ounces in 2002. Cortez is a large open pit operation with a heap leach facility, a conventional mill and a carbon-in-leach process.

Also in northeastern Nevada, Placer Dome owns the **Bald Mountain** open pit gold mine. Bald Mountain has been operating since 1983 and in 2002, despite the maturity of the operation, was able to increase production 59% over 2001 levels due to improvements in leach pad solution chemistry leading to higher recoveries.

The **Getchell** property in Nevada was acquired in 1999 at a time of declining gold prices and was put on care and maintenance. It is host to a large mineralized deposit where test mining has determined that mining is again viable. The mine

will produce 89,000 ounces in 2003 and the company will be announcing production plans this year.

In Montana, Placer Dome owns the **Golden Sunlight** mine which has produced more than 2.2 million ounces of gold since it began operations in 1983. Now in the final stage of its life, mining at Golden Sunlight will be completed during 2003. An extensive community consultation program will help return the Golden Sunlight property to beneficial use for local residents.



**William Hayes**  
Executive Vice-President,  
United States  
and Latin America

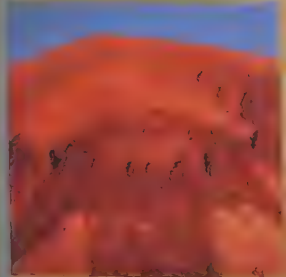
## LATIN AMERICA

Chile is rich in mineral resources and is the world's largest copper producer. High in the Atacama desert, Placer Dome's mine, which is one of Chile's largest copper mines, has steadily contributed to the company's success.

Zaldívar's production meets grade "A" standards for copper at the London Metals Exchange, earning recognition through the registration of the "Zaldívar" brand cathode.

Further south but also high in the Andes of northern Chile, Placer Dome owns

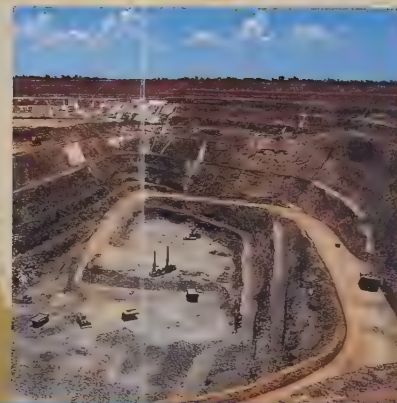
50% of the La Coipa gold and silver mine, which was one of the first large-scale precious metals mines in Chile. Historically La Coipa has produced 2.1 million ounces of gold and 143 million ounces of silver and has a forecast six years of mine life remaining.



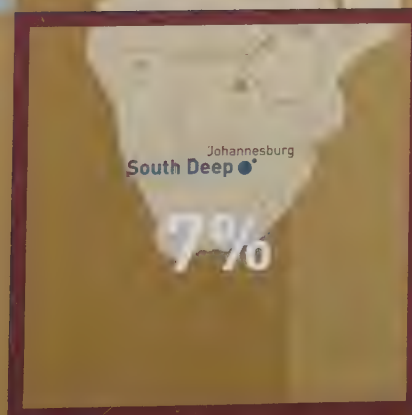




**George Paspalas**  
Executive Vice-President,  
South Africa



**Peter Tomsett**  
Executive Vice-President,  
Asia Pacific



## ASIA PACIFIC

Placer Dome has had a strong presence in Asia Pacific for more than 70 years. With the completion of the AurionGold acquisition in 2002, Asia Pacific is now the company's largest region, accounting for nearly 50% of forecast annual gold production.

### *Papua New Guinea*

In the rugged highlands of Papua New Guinea, Placer Dome owns 75% of the **Porgera** open pit gold mine. Production from the open pit is now being supplemented by an underground mining operation. Porgera has produced more than 10 million ounces since 1990.

Also in Papua New Guinea, Placer Dome owns 80% of the **Misima** gold and silver mine, which sits on the eastern half of Misima Island, about 200 kilometres east of the mainland. Mining of Misima's 3.5 million ounces of gold and 18 million ounces of silver was completed in 2001, and production will cease in 2004 when milling of the stockpiled ore is completed.

### *Australia*

The island continent of Australia is rich in mineral resources and accounts for more than 10% of the world's gold production. The great gold discoveries of

the 1850s were responsible for Australia's first wave of immigration and European settlement of the inland areas.

In Western Australia, Placer Dome has a strong presence in the Eastern Goldfields near Kalgoorlie. More than 60 million ounces of gold have been produced from the Kalgoorlie region over the past 100 years, and the area is known as one of the world's most prolific mining districts.

**Kanowna Belle** is a large operation that features an underground gold mine and a refractory mill. The nearby **Kalgoorlie West Operations** feature a mixture of open pits and underground mines that feed an oxide mill.

Also near Kalgoorlie, Placer Dome owns the **Granny Smith** mine, which is now producing gold from the Wallaby open pit. Wallaby holds considerable potential for future underground development and the property is developing into one of the most significant discoveries in Australia in the last decade.

Also in Australia, Placer Dome owns the **Osborne** underground gold and copper mine in Queensland and the **Henty** underground gold mine on the west coast of Tasmania.

## SOUTH AFRICA

South Africa's Witwatersrand Basin is the richest gold mining district in the world, producing more than 1.5 billion ounces of gold since its discovery in 1886. The immense size of the deposit has permitted gold production on a large and very profitable scale.

Placer Dome owns 50% of the massive **South Deep** gold mine, widely known as one of the greatest mines of the southern hemisphere, containing reserves that are sufficient to sustain the operation for

70 years. The mine is undergoing a significant expansion and modernization that will see production nearly double to 700,000 ounces per year by 2007 as the mine transitions from a conventional, labour-intensive ~~reel~~ **reel** operation to a predominantly bulk mechanized mine. In 2002 a new mill was completed and commissioned and a new shaft constructed, which is slated for commissioning late in 2003.





## financials



Mineral Reserves<sup>(1,2,15)</sup>

[Proven and Probable]<sup>(2)</sup>

The Corporation's share at December 31, 2002

Mine by Metal	Proven Mineral Reserves			Probable Mineral Reserves			Total			
	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Recovery (%)(11)
Gold										
Canada										
Campbell	633	18.9	384	1,775	15.7	895	2,408	16.5	1,279	94.5
Musselwhite	5,966	5.7	1,087	2,144	4.8	332	8,110	5.4	1,419	95.0
Porcupine JV <sup>(10)</sup>	8,322	1.4	371	21,706	1.7	1,174	30,028	1.6	1,545	90.0
United States										
Bald Mountain	12,925	1.2	508	—	—	—	12,925	1.2	508	78.0
Cortez <sup>(7,8)</sup>	57,145	1.3	2,426	67,671	1.1	2,319	124,816	1.2	4,745	80.5
Getchell <sup>(11)</sup>	2,172	25.6	1,785	1,323	21.3	905	3,495	23.9	2,690	91.8
Golden Sunlight	1,995	3.0	193	20	2.1	1	2,015	3.0	194	76.5
Australia										
Granny Smith <sup>(9)</sup>	6,287	1.7	346	16,845	3.3	1,799	23,132	2.9	2,145	86.4
Henty <sup>(9)</sup>	—	—	—	1,175	10.5	397	1,175	10.5	397	95.0
Kalgoortlie West <sup>(9)</sup>	3,503	3.0	333	10,457	3.4	1,147	13,960	3.3	1,480	95.0
Kanowna Belle <sup>(9)</sup>	9,561	5.1	1,568	4,201	3.6	485	13,762	4.6	2,053	90.0
Osborne	6,152	1.0	202	1,821	1.0	56	7,973	1.0	258	78.0
Papua New Guinea										
Misima	7,806	0.8	194	—	—	—	7,806	0.8	194	88.0
Porgera <sup>(7,9)</sup>	33,909	3.4	3,746	9,725	3.0	935	43,634	3.3	4,681	79.0
South Africa										
South Deep <sup>(7)</sup>	6,180	8.3	1,640	100,164	8.4	27,018	106,344	8.4	28,658	97.5
Chile										
La Coipa	14,037	1.1	518	3,765	1.0	127	17,802	1.1	645	80.3
			15,301			37,590			52,891	
Silver										
La Coipa	14,037	58.3	26,295	3,765	47.4	5,743	17,802	56.0	32,038	59.3
Misima	7,806	7.0	1,757	—	—	—	7,806	7.0	1,757	35.0
			28,052			5,743			33,795	
	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Recovery (%)(11)
Copper										
Zaldívar <sup>(6,7)</sup>	153,538	0.699	2,366	310,096	0.661	4,520	463,634	0.674	6,886	75.0
Osborne	6,152	2.550	346	1,821	3.242	130	7,973	2.708	476	94.0
			2,712			4,650			7,362	

Rounding differences may occur.

Notes: Refer to pages 22 to 23 of this document for the notes to the Mineral Reserves table.



Reconciliation of Mineral Reserves<sup>(1,2,15)</sup>

(Proven and Probable)<sup>(2)</sup>

The Corporation's share at December 31, 2002

Mine by Metal	Mineral Reserves December 31, 2001	Mined in 2002 <sup>(5)</sup>	Other increase or [decrease] in mineral reserves <sup>(6,9,10,11)</sup>	Mineral Reserves December 31, 2002
<b>Gold</b> (000's ozs)				
<i>Canada</i>				
Campbell	1,043	201	437	1,279
Dome <sup>(10)</sup>	1,321	129	[1,192]	—
Musselwhite	1,561	150	8	1,419
Porcupine Joint Venture <sup>(10)</sup>	—	111	1,656	1,545
<i>United States</i>				
Bald Mountain	272	189	425	508
Cortez	4,993	733	485	4,745
Getchell <sup>(11)</sup>	—	69	2,759	2,690
Golden Sunlight	233	143	104	194
<i>Australia</i>				
Granny Smith <sup>(9)</sup>	1,527	353	971	2,145
Henty <sup>(9)</sup>	—	8	405	397
Kalgoorlie West <sup>(9)</sup>	—	66	1,546	1,480
Kanowna Belle <sup>(9)</sup>	—	77	2,130	2,053
Osborne	293	48	13	258
<i>Papua New Guinea</i>				
Misima	262	131	63	194
Porgera <sup>(9)</sup>	3,295	435	1,821	4,681
<i>South Africa</i>				
South Deep	28,856	201	3	28,658
<i>Latin America</i>				
La Coipa	798	113	[40]	645
	44,454	3,157	11,594	52,891
<b>Silver</b> (000's ozs)				
La Coipa	38,127	5,942	[147]	32,038
Misima	2,967	1,552	342	1,757
	41,094	7,494	195	33,795
<b>Copper</b> (million lbs)				
Zaldívar <sup>(6)</sup>	8,393	425	[1,082]	6,886
Osborne	557	106	25	476
	8,950	531	[1,057]	7,362

Rounding differences may occur.

Notes: Refer to pages 24 to 26 of this document for the notes to the Reconciliation of Mineral Reserves table.



Mineral Resources<sup>[3,4,15]</sup> [in addition to mineral reserves]

[Measured, Indicated and Inferred]<sup>[4]</sup>

The Corporation's share at December 31, 2002

Mine by Metal	Measured Mineral Resources			Indicated Mineral Resources			Total Measured and Indicated			Inferred Mineral Resources		
	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
<b>Gold</b>												
<i>Canada</i>												
Campbell	740	21.6	515	2,488	9.6	766	3,228	12.3	1,281	3,590	11.3	1,306
Musselwhite	1,787	7.0	403	1,321	7.2	306	3,108	7.1	709	2,245	7.6	551
Porcupine JV <sup>[10]</sup>	4,811	3.3	504	29,082	2.1	1,951	33,893	2.3	2,455	9,183	2.8	829
<i>United States</i>												
Bald Mountain	50,296	1.3	2,034	—	—	—	50,296	1.3	2,034	—	—	—
Cortez <sup>[7,8]</sup>	39,690	1.1	1,388	113,671	0.8	2,873	153,361	0.9	4,261	17,651	0.5	295
Getchell	2,171	17.1	1,193	398	24.9	318	2,569	18.3	1,511	2,956	20.4	1,942
Golden Sunlight	22,656	1.9	1,359	2,281	1.3	97	24,937	1.8	1,456	6,226	1.1	223
<i>Australia</i>												
Granny Smith <sup>[9]</sup>	—	—	—	3,190	3.0	310	3,190	3.0	310	14,509	5.9	2,750
Henty <sup>[9]</sup>	—	—	—	110	11.0	39	110	11.0	39	369	7.7	91
Kalgoorlie West <sup>[9]</sup>	12,649	2.4	974	34,735	2.0	2,193	47,384	2.1	3,167	31,196	2.7	2,672
Kanowna Belle <sup>[9]</sup>	3,178	4.3	436	7,716	4.2	1,047	10,894	4.2	1,483	2,802	4.3	391
Osborne	1,835	1.1	62	—	—	—	1,835	1.1	62	1,553	0.4	20
<i>Papua New Guinea</i>												
Porgera <sup>[7,9]</sup>	32,918	2.7	2,807	21,425	2.0	1,347	54,343	2.4	4,154	4,993	2.0	324
<i>South Africa</i>												
South Deep <sup>[7]</sup>	1,729	9.6	531	66,819	9.0	19,279	68,548	9.0	19,810	—	—	—
<i>Latin America</i>												
La Coipa	7,782	0.8	207	2,202	0.8	60	9,984	0.8	267	272	0.7	6
			12,413			30,586			42,999			11,400
<b>Silver</b>												
La Coipa	7,782	34.0	8,516	2,202	17.5	1,242	9,984	30.4	9,758	272	49.6	434
			8,516			1,242			9,758			434
	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)
<b>Copper</b>												
Zaldívar <sup>[7]</sup>	63,878	0.364	513	334,643	0.366	2,700	398,521	0.366	3,213	75,056	0.408	675
Osborne	1,835	3.643	147	—	—	—	1,835	3.643	147	1,553	3.380	116
			660			2,700			3,360			791

Rounding differences may occur.

Notes: Refer to pages 24 to 26 of this document for the notes to the Mineral Resources table.



Mineral Resources — Exploration Properties<sup>[3,4,15]</sup>

(Measured, Indicated and Inferred)<sup>[4]</sup>

The Corporation's share at December 31, 2002

Exploration Property by Metal	Measured Mineral Resources			Indicated Mineral Resources			Total Measured and Indicated			Inferred Mineral Resources		
	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
<b>Gold</b>												
Aldebarán <sup>[12]</sup>	103,413	0.8	2,494	464,526	0.7	10,454	567,939	0.7	12,948	87,310	0.6	1,769
Donlin Creek <sup>[13]</sup>	6,376	3.1	642	14,664	3.0	1,428	21,040	3.1	2,070	19,847	2.8	1,806
Pueblo Viejo <sup>[14]</sup>	—	—	—	159,500	3.3	16,820	159,500	3.3	16,820	51,800	2.9	4,763
			3,136			28,702			31,838			8,338
<b>Silver</b>												
Pueblo Viejo <sup>[14]</sup>	—	—	—	159,500	20.2	103,587	159,500	20.2	103,587	51,800	9.9	16,454
						103,587			103,587			16,454
	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)	Tonnes (000's)	Grade (%)	Contained lbs (millions)
<b>Copper</b>												
Aldebarán <sup>[12]</sup>	103,413	0.250	570	464,526	0.260	2,663	567,939	0.258	3,233	87,310	0.330	635
			570			2,663			3,233			635

Rounding differences may occur.

Notes: Refer to the notes on pages 24 to 26 of this document for the Mineral Resources—Exploration Properties table.

Notes to the Mineral Reserves, Reconciliation of Mineral Reserves, Mineral Resources and Mineral Resources—Exploration Properties Tables on pages 21 to 23:

- (1) The Corporation's mineral reserves are estimated as at December 31, 2002 using appropriate cut-off grades associated with an average long-term gold price of \$300 per ounce (except at South Deep and for the Porgera underground where a gold price of \$275 per ounce was used), silver price of \$4.75 per ounce and copper price of \$0.85 per pound. The estimates incorporate the current and/or expected mine plans and cost levels at each property. Recovery is stated as a percentage of contained ounces for gold and silver and contained pounds for copper. The qualified persons responsible for mineral reserve estimates are shown under note 15. Consistent with Placer Dome's normal mineral reserve estimation practices, independent data verification has not been performed.

(2) A "mineral reserve" is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
- A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. A "proven mineral reserve" is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. A "probable mineral reserve" is the economically mineable part of an indicated, and in some circumstances a measured, mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. The above definitions of "mineral reserve", "proven mineral reserve" and "probable mineral reserve" conform to Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") definitions of these terms as at the effective date of estimation as required by National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101").

(3) These mineral resources are in addition to gold, silver and copper mineral reserves. The qualified persons responsible for mineral resource estimates are shown under note 15. Consistent with Placer Dome's normal mineral resource estimation practices, independent data verification has not been performed except in the case of exploration properties.



- (4) A “mineral resource” is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. A “measured mineral resource” is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. An “indicated mineral resource” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. An “inferred mineral resource” is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonable assumed, but not verified, geological and grade continuity. The estimate is based on limited information and samplings gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The above definitions of “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” conform to CIM definitions of those terms as at the effective date of estimation, as required by NI 43-101. Mineral resources which are not mineral reserves do not have demonstrated economic viability.
- (5) Based on 2002 production divided by the recovery percentage for each mine.
- (6) Increase (decrease) in mineral reserves resulted from reclassifications between mineral resources and mineral reserves, acquisition and divestiture of mineral reserves during the year, changes due to geological remodeling, and the impact of an increase in the average long term gold price from \$275 to \$300 per ounce and a decrease in the

average long term copper price from \$0.90 to \$0.85 per pound. At Zaldívar, the copper price decrease resulted in a 10% reduction in proven and probable mineral reserves.

(7) Economic assumptions for material properties:  
The cut-off grades for a particular property can vary depending on the various rock types, metallurgical processes and mining methods. Cut-off grades are therefore quoted below as a range for each material property to reflect the variability of these parameters.

	Mineral Reserves	Mineral Resources
	Cut-off grade (g/t gold, % copper)	Cut-off grade (g/t gold, % copper)
Cortez	0.17 – 3.98 g/t	0.17 – 3.98 g/t
Porgera	1.63 – 2.76 g/t	1.0 g/t
South Deep	4.00 – 6.00 g/t	5.0 g/t
Zaldívar	0.31 – 0.34 %	0.2 %

The Corporation is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues which may materially affect the Corporation’s mineral reserve and mineral resource estimates, other than the factors discussed in Part 6, ‘Risks and Uncertainties’ in the Management Discussion and Analysis section on pages 42 to 48 of this document.

- (8) There is currently a Notice of Appeal pending with the Interior Board of Appeals regarding the South Pipeline permit. The South Pipeline deposit accounts for 57.4% and 10.4% of the reported mineral reserves and mineral resources, respectively, of the Cortez Mine. (See Item 6 note 18(d) of the consolidated financial statements for further information.)
- (9) The Corporation acquired 100% of AurionGold Limited during 2002. This acquisition resulted in the Corporation acquiring ownership of the Paddington and Kundana mills and related gold mines (collectively “Kalgoorlie West”) as well as the Kanowna Belle and Henty mines. This acquisition also increased the Corporation’s interests in the Granny Smith and Porgera mines to 100% and 75% from pre-acquisition interests of 60% and 50% respectively. Kundana includes 100% of Kundana, 51% of East Kundana and 49% of Mungari West gold mines.
- (10) Effective July 1, 2002, Placer Dome and Kinross Gold Corporation (“Kinross”) formed the Porcupine Joint Venture which combined the operations of the Corporation’s Dome mine and mill with Kinross’ Hoyle Pond, Pamour and Nighthawk mines as well as the Kinross Bell Creek mill. Placer Dome owns a 51% interest in and is the operator of the unincorporated joint venture.
- (11) At Getchell, completion of an economic restart study has resulted in the addition of proven and probable mineral reserves totaling 2.69 million ounces.



Reserves and Resources

- (12)As estimated by the Corporation as at December 31, 2000 assuming 51% indirect ownership by Placer Dome, which ownership interest is subject to certain obligations of Placer Dome under the terms of a shareholders agreement. The other indirect owners of the Aldebarán property are Bema Gold (24%) and Arizona Star (25%). In the opinion of the qualified person who prepared or supervised the preparation of the mineral resource estimate (see note 15), the estimate is relevant and reliable at December 31, 2002 and was calculated using mineral resource categories that are substantially similar to the CIM definitions set out in note 4 above.

(13)As estimated by Placer Dome as at December 31, 2002 assuming 30% ownership by Placer Dome. On February 11, 2003, Placer Dome announced that it has exercised its option to earn back to a 70% interest in Donlin Creek. In order to do this, Placer Dome must expend \$30 million over five years and complete a feasibility study, followed by a positive
- construction decision for a mine that would produce 600,000 ounces of gold per annum. If Placer Dome chooses to terminate such expenditures and not complete its earn-in, the Corporation retains its 30% interest.

(14) As estimated by Placer Dome as at December 31, 2002. Placer Dome has begun a feasibility study on the property.

(15) Each of the mineral reserve and mineral resource estimates shown above were prepared by or under the supervision of a “qualified person”, as that term is defined in NI 43-101, and those persons are listed below. All named persons are, or were at the time the estimates were prepared, employees of Placer Dome unless indicated as Independent Consultant. In estimating the applicable mineral reserves and mineral resources, such persons made assumptions, and used parameters and methods, appropriate for each property, and verified the data disclosed, including sampling, analytical and test data underlying such estimates.

By Property	Mineral Reserves		Mineral Resources	
	Name	Title	Name	Title
Campbell	Eric Strom	Mine Engineer	Glen Kuntz	Project Geologist
Musselwhite	Rob Usher	Chief Engineer	Andrew Cheatle	Chief Geologist
Porcupine JV	James Monaghan	Chief Engineer	Alastair Still	Chief Geologist & Manager of Exploration
Bald Mountain	Elias Dib	Mine Engineer	Elias Dib	Mine Engineer
Cortez	Britt Buhl	Chief Mine Engineer	Britt Buhl	Chief Mine Engineer
Getchell	Tom Bagan	Chief Engineer	John Porterfield	Chief Geologist
Golden Sunlight	Paul Buckley	Chief Engineer	Paul Buckley	Chief Engineer
Granny Smith	Ray Hodson Richard Boffey	Senior Mining Engineer Underground Project Manager	Malcolm Titley	Open Pit Superintendent
Henty	Sean Halpin	Technical Services Manager	Sean Halpin	Technical Services Manager
Kalgoorlie West	Matt Brampton Andrew Law David Pincep Julie Reid Mark Strizek Steven Tombs	Senior Resource Geologist Manager Mining Technical Software Specialist Senior Resource Dev. Geologist Senior Mine Geologist Manager Mining— Underground	Jon Abott Matt Brampton Tim Berryman Stewart Capp Haydn Hadlow Peter Kitto Mat Longworth Richard Maddocks David Princep Julie Reid Mark Strizek	Senior Resource Geologist Senior Resource Geologist Senior Regional Planner Senior Resource Dev. Geologist Technical Services Manager Independent Consultant Independent Consultant Geology Manager Technical Software Specialist Senior Resource Dev. Geologist Senior Mine Geologist
Kanowna Belle	Andrew Harris	Senior Planning Engineer	Richard Maddocks	Geology Manager
Osborne	Jeff Brown	Mine Engineering Team Leader	Philip Agnew	Senior Geologist
Misima	Trevor Jones	Independent Consultant	Trevor Jones	Independent Consultant
Porgera	John Butterworth	Senior Open Pit Engineer	Anthony Burgess	Senior Resource Geologist
South Deep	Pierre Fourie	Independent Consultant	Dean Van Der Heever	Independent Consultant
La Coipa	Juan Ochoa Andres F. Guaringa	Chief Engineer Reserves Engineer	Mauricio Rubio	Senior Production Geologist
Zaldívar	Eduardo Jofre	Chief Mining Engineer	Jorge Aceituno	Chief Geologist
Aldebarán	n/a	n/a	Marc Jutras	Senior Mining Engineer/ Geostatistician
Donlin Creek	n/a	n/a	Marc Jutras	Senior Mining Engineer/ Geostatistician
Pueblo Viejo	n/a	n/a	Chris Keech	Senior Geologist/Geostatistician



## Introduction

The Management's discussion and analysis ("MD&A") provides a detailed analysis of Placer Dome's business and compares its 2002 financial results with those of the previous two years. In order to better understand the MD&A, it should be read in conjunction with the consolidated financial statements and its related notes that begin on page 52 of this report. The Corporation prepares and files its consolidated financial statements and MD&A in United States ("US") dollars and in accordance with US generally accepted accounting principles ("GAAP"). The consolidated financial statements and MD&A in accordance with Canadian GAAP, in US dollars, are included with the and incorporated by reference into this Annual Information Statement, Form are filed with various Canadian regulatory and Form authorities, are available at [www.sedar.com](http://www.sedar.com) and are included with the Corporation's Management Proxy Circular and Statement.

The MD&A is comprised of eight key sections. The *Overview* provides a high level summary of Placer Dome's financial results, operating performance and financial condition. The *Financial Results of Operations* section provides a detailed analysis of sales and mine operating earnings, including a review of mine-by-mine gold and copper production, costs and outlook. The *Other Income and Expenses* section reports on items outside of the mining operations that impact Placer Dome's net earnings (loss) for the year. The *Financial Condition and Liquidity* section describes Placer Dome's cash position and investing activities, as well as its forward sales and options program for metal sales and foreign currency. The *Strategy* section describes Placer Dome's strategic plan, achievements in its focus areas and short and long term strategic targets. In *Risks and Uncertainties*, the risks associated with the business are identified, and the risk management programs in place to manage and mitigate exposures are discussed. The *Markets* section discusses the global supply and demand fundamentals impacting the business in the year and in the year ahead. And finally, the *Outlook* section outlines Placer Dome's 2003 view of production and costs, capital expenditures, exploration and development priorities, and earnings sensitivities.

All amounts are in millions of US dollars, except where otherwise indicated.



# Management’s Discussion and Analysis

All amounts are in millions of US dollars, except where otherwise indicated			
	2002	2001	2000
<b>Sales</b>	\$ 1,209	\$ 1,223	\$ 1,413
<b>Mine operating earnings</b>			
Gold	282	277	360
Copper	53	69	89
Other	(11)	(10)	(7)
	324	336	442
<b>Net earnings (loss)</b>	116	(133)	(92)
<b>Cash flow from operations</b>	320	340	343
<b>Gold</b>			
Consolidated production (000s ozs) <sup>(i)</sup>	2,756	2,776	3,024
Cash cost (\$/oz) <sup>(i)</sup>	176	173	171
Total cost (\$/oz) <sup>(i)</sup>	227	226	229
Consolidated sales (000s ozs)	2,716	2,876	3,093
Price realized (\$/oz)	342	326	346
London spot price (\$/oz)	310	271	279
<b>Copper</b>			
Consolidated production (000s lbs)	427,477	417,160	430,210
Cash cost (\$/lb)	0.45	0.45	0.45
Total cost (\$/lb)	0.58	0.58	0.64
Consolidated sales (000s lbs)	431,162	420,338	436,645
Price realized (\$/lb)	0.71	0.74	0.82
London spot price (\$/lb)	0.71	0.72	0.82

(i) Placer Dome’s share of gold production, cash and total production costs were 2,823,000 ounces, \$178/oz and \$231/oz in 2002, 2,756,000 ounces, \$175/oz and \$231/oz in 2001, and 2,984,000 ounces, \$172/oz and \$231/oz in 2000.

## 1. Overview

- Consolidated net earnings under US GAAP for 2002 were \$116 million or \$0.33 per share (respectively \$124 million and \$0.35 per share before change in accounting policy), compared with a loss of \$133 million or \$0.41 per share in 2001 and a loss of \$92 million or \$0.28 per share in 2000.
- On October 22, 2002, Placer Dome announced that it had acquired a controlling interest of 56% of the outstanding shares of AurionGold Limited (“AurionGold”). Accordingly, the results of operations of AurionGold have been included in the accompanying financial statements from October 31, 2002 forward. At year end, this interest had increased to 100% of AurionGold. The acquisition increases Placer Dome’s ownership in the Granny Smith and Porgera gold mines to 100% and 75% from 60% and 50% respectively, includes the Paddington and Kundana mills and related gold mines (collectively “Kalgoorlie West”) as well as the Kanowna Belle and Henty gold mines in Australia and provides significant land positions within the prospective Kalgoorlie and Laverton

regions of Western Australia. It will add approximately 1 million ounces of gold to Placer Dome’s annual production. Placer Dome also expects to realize synergies, over time, of \$25 million, after-tax, through rationalization of corporate overhead and exploration programs, reductions in procurement costs, financing costs and income taxes and other operational benefits. With the completion of the acquisition, Placer Dome is pressing ahead with the integration including the closing of now redundant offices.

- Effective July 1, 2002, Placer Dome and Kinross Gold Corporation (“Kinross”) formed the Porcupine Joint Venture which combined the operations of the Dome mine and mill, with Kinross’ Hoyle Pond, Pamour and Nighthawk Lakes mines as well as the Kinross Bell Creek mill. Placer Dome owns a 51% interest in and is the operator of the joint venture, while Kinross owns the remaining 49% interest.



# Management's Discussion and Analysis

- In 2002, Placer Dome's net earnings were impacted by an unrealized non-hedge derivative gain of \$8 million (2001—loss of \$11 million and 2000—gain of \$17 million) and in 2001 net earnings included a \$21 million translation gain relating to the closure of the Kidston mine. In 2000, net earnings included a \$49 million gain on the sale of Zaldívar water rights.
- In 2002, earnings included the effect of a change in accounting policy relating to depreciation and depletion at certain mining operations. The cumulative effect of this change through December 31, 2001 was to decrease earnings on a pre and after tax basis by \$8 million. The effect of the change in 2002 was to increase earnings on a pre and after tax basis before the cumulative effect of the accounting change by \$7 million. The above items combined to decrease net earnings by \$1 million in 2002. In 2000, earnings include a \$17 million loss due to a change in accounting policy.
- In 2002, Placer Dome did not record any write-downs. In 2001 it recorded write-downs totalling \$301 million, mostly comprised of \$292 million related to the Getchell project after extensive analysis failed to identify a mine plan that would recover the carrying value of the asset. In 2000, the company recorded write-downs totalling \$328 million relating to Porgera, Las Cristinas, Getchell, Osborne and Bald Mountain.
- Cash flow from operations was \$320 million, 6% lower than 2001 and 7% lower than 2000. The Corporation ended the year with \$544 million in cash and short-term investments and \$947 million in total debt outstanding (including \$137 million as a result of the AurionGold acquisition), compared with \$439 million and \$844 million, respectively, at the end of 2001.
- Under Placer Dome's gold sales program, the Corporation realized an average price of \$342 per ounce for gold, a premium of \$32 per ounce over the average spot price and contributing \$82 million to revenue. During 2002, excluding the impact of the AurionGold acquisition, Placer Dome successfully met its goal of reducing its ounces committed under its hedge program to 6.9 million ounces. At December 31, 2002, including the effect of the AurionGold acquisition, Placer Dome had maximum committed ounces of 12.6 million ounces under its hedge program.
- Placer Dome's share of gold production in 2002 was 2,823,075 ounces, including 217,694 ounces from the AurionGold properties. Consolidated gold production decreased by 1% from 2001 levels due to the closure of the Kidston mine in 2001, reduced production from Golden Sunlight as it approaches the end of its mine life, lower production due to lower grades at Cortez and a lower share of production from the Dome mine due to the formation of the Porcupine Joint Venture with Kinross. This was mostly offset by the

AurionGold acquisition and increased production at a number of operations, most notably at Granny Smith due to commencement of production at the higher grade Wallaby deposit in the fourth quarter of 2001 and at Bald Mountain as a result of increased heap leach recoveries. Placer Dome's share of unit cash cost increased by 2% to \$178 per ounce. Copper production increased by 2% compared with the prior year due to higher recoveries at the Zaldívar Mine.

- Placer Dome's proven and probable mineral reserves as of December 31, 2002 increased by 19% over 2001 levels to 52.9 million ounces (refer to the mineral reserve and mineral resource tables on pages 21 to 24 for further details) due primarily to the inclusion of reserves from the AurionGold transaction and an increase in the long term gold price assumption from \$275/oz to \$300/oz. Proven and probable copper reserves decreased by 18% due to depletion and the lowering of the long term copper price assumption from \$0.90/lb to \$0.85/lb (refer to the mineral reserve and mineral resource tables on pages 21 to 24 for further details).
- Looking ahead, Placer Dome's share of gold and copper production in 2003 is targeted at approximately 3.5 million ounces and 400 million pounds, respectively. Cash and total production costs for gold are estimated to be around \$195 and \$255 per ounce, respectively. Amortization of the fair value allocation of the AurionGold purchase price is responsible for \$11 of the forecast \$25 per ounce increase in total production costs from 2002.

## Quarterly Results

	Quarters Ended (unaudited)				Years Ended
	March 31	June 30	Sept. 30	Dec. 31	Dec. 31
<b>2002</b>					
Sales	\$ 303	\$ 276	\$ 275	\$ 355	\$ 1,209
Mine operating earnings	98	76	67	83	324
Operating earnings	74	44	36	23	177
Net earnings	37	44	29	6	116
Net earnings per common share	0.11	0.14	0.08	0.02	0.33
<b>2001</b>					
Sales	\$ 341	\$ 302	\$ 288	\$ 292	\$ 1,223
Mine operating earnings	93	89	74	80	336
Operating earnings (loss)	65	54	(278)	53	(106)
Net earnings (loss)	16	33	(211)	29	(133)
Net earnings (loss) per common share	0.05	0.10	(0.65)	0.09	(0.41)

During the fourth quarter of 2002, Placer Dome changed its accounting policy, retroactive to January 1, 2002, with respect to depreciation and depletion of property, plant and equipment at certain mining operations to exclude future estimated mining and development costs. Accordingly the results for the first three quarters have been restated.



# Management's Discussion and Analysis

## Critical Accounting Policies

Placer Dome's accounting policies are described in note 1 to the consolidated financial statements. Management considers the following policies to be the most critical in understanding the judgments that are involved in preparing Placer Dome's consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

### *Use of Estimates*

The attached consolidated financial statements are prepared in conformity with US GAAP, which requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on estimates and assumptions.

### *Property, Plant and Equipment/Exploration and Development*

In accordance with its accounting policies in these areas, Placer Dome capitalizes costs incurred on properties after it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan. Upon commencement of production, capitalized costs for assets in use are subject to depreciation and depletion over their estimated economic lives.

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ dramatically from mineral reserve estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar examinations;
- the grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral reserves;
- declines in the market price of gold may render the mining of some or all of Placer Dome's mineral reserves uneconomic; and

- increases in operating mining, processing and reclamation costs could adversely affect the economic viability of mineral reserves.

Any of these factors may require Placer Dome to reduce its mineral reserve and mineral resource estimates, change its production estimates or increase its costs. Changes in reserve quantities would cause corresponding changes in amortization expense in periods subsequent to the reserve revision, and could result in impairment of the carrying amount of property, plant and equipment.

### *Derivatives and Hedging Activities*

Placer Dome has elected to treat gold and silver forward contracts and cap agreements which call for normal course sales requiring settlements through physical delivery as being exempt from US Financial Accounting Standards Board Statement of Financial Accounting Standards No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Accordingly, gains and losses on these instruments are recognized in sales revenue on the forward date identified at the contract inception. Had Placer Dome not made this election, the instruments would have been recorded on the balance sheet as either assets or liabilities with measurement at fair value. Changes in the fair value of the instruments would have been recorded each period in current earnings or other comprehensive income, depending on the intent and nature of the instruments and whether they qualify for hedge accounting as defined in SFAS 133 and could have resulted in increased volatility in earnings.

### **Canadian GAAP**

Disclosure of the differences between accounting principles and practices generally accepted in the US and those generally accepted in Canada ("Canadian basis") is included in note 20(d) to the consolidated financial statements. Had the consolidated financial statements been prepared on the Canadian basis, the Corporation would have reported net earnings of \$119 million (\$0.30 per share) in 2002 compared with a loss of \$188 million (\$0.62 per share) in 2001 and a loss of \$347 million (\$1.10 per share) in 2000.



2. Financial Results of Operations

PRODUCTION AND OPERATING SUMMARY													
Placer Dome's share (% of mine production)		Year	For the year ended December 31								Estimated annual 2003		
			Mine operating earnings <sup>(1)</sup>	Millfeed (000s tonnes)	Grade (g/t, %)	Recovery (%)	Placer Dome's Share		Cost per unit <sup>(2)</sup> (\$/oz, \$/lb)		Production (ozs, 000s lbs)	Cost per unit <sup>(2)</sup> (\$/oz, \$/lb)	
							Production		Cash	Total		Cash	Total
							(ozs, 000s lbs)	% change					
Mine													
<b>Gold</b>													
<i>Canada</i>													
Campbell	100%	2002	\$ 12	357	17.5	96.1	193,150	+8%	172	244	193,000	181	253
		2001	\$ [3]	438	13.3	94.8	178,139		208	287			
Dome <sup>(3)</sup>	100%	2002	[3]	1,673	2.4	91.8	118,663	-61%	245	328	—	—	—
		2001	1	4,122	2.6	89.3	302,795		208	268			
Musselwhite	68%	2002	1	787	5.9	95.3	142,579	-10%	219	292	161,000	199	272
		2001	1	878	5.9	95.3	158,988		191	265			
Porcupine <sup>(3)</sup>	51%	2002	2	1,095	3.2	91.6	101,919	—	230	285	226,000	209	269
<i>United States</i>													
Bald Mountain	100%	2002	19	5,265	1.1	91.3	172,328	+59%	152	203	97,000	172	225
		2001	[10]	3,777	1.5	65.3	108,393		280	365			
Cortez <sup>(4)</sup>	60%	2002	86	2,217	7.5	88.6	649,006	-9%	129	168	594,000	141	192
		2001	78	2,153	9.0	90.7	712,850		121	161			
Getchell <sup>(5)</sup>	100%	2002	2	—	—	—	54,806	n/a	107	179	89,000	172	190
		2001	—	—	—	—	3,111		—	—			
Golden Sunlight	100%	2002	—	2,271	2.0	78.4	111,806	-43%	279	305	143,000	141	158
		2001	5	2,338	3.2	80.9	195,507		123	249			
<i>Australia</i>													
Henty <sup>(7)</sup>	100%	2002	[1]	43	7.4	93.7	7,963	n/a	323	414	95,000	183	293
Granny Smith <sup>(7)</sup>	100%/60%	2002	46	2,505	4.3	92.5	326,894	+57%	124	161	283,000	196	271
	60%	2001	20	2,180	3.3	91.1	208,306		170	181			
Kalgoorlie West <sup>(7)</sup>	100%	2002	[2]	516	4.0	93.9	61,841	n/a	201	330	381,000	230	300
Kanowna Belle <sup>(7)</sup>	100%	2002	1	326	5.7	90.1	69,337	n/a	147	269	242,000	172	285
Kidston <sup>(8)</sup>	70%	2001	6	2,392	1.4	86.0	103,403		166	217			
Osborne <sup>(9)</sup>	100%	2002	n/a	1,461	1.0	79.9	38,149	-9%	n/a	n/a	37,000	n/a	n/a
		2001	n/a	1,487	1.1	80.2	41,706		n/a	n/a			
<i>Papua New Guinea</i>													
Misima <sup>(6)</sup>	80%	2002	14	4,757	0.9	88.4	115,638	-13%	196	213	109,000	213	226
		2001	8	4,590	1.0	89.1	133,282		186	218			
Porgera <sup>(7)</sup>	75%/50%	2002	10	2,437	5.2	84.7	368,769	-3%	216	269	571,000	239	296
	50%	2001	8	2,881	4.9	81.6	380,311		207	250			
<i>Chile</i>													
La Coipa <sup>(10)</sup>	50%	2002	1	3,172	1.1	84.7	95,989	+64%	224	306	85,000	215	298
		2001	[4]	3,174	0.7	82.4	58,425		212	297			
<i>South Africa</i>													
South Deep <sup>(11)</sup>	50%	2002	13	889	7.1	96.4	194,238	+14%	204	241	233,000	206	243
		2001	7	678	8.1	97.2	171,126		196	235			
Metals hedging revenue		2002	82										
		2001	156										
<b>Total Gold<sup>(2)</sup></b>		2002	\$ 282				2,823,075	+2%	178	231	3,539,000	194	256
		2001	\$ 277				2,756,342		175	231			
<b>Copper</b>													
Osborne <sup>(8)</sup>	100%	2002	10	1,461	3.3	96.0	101,652	-6%	0.47	0.58	85,000	0.55	0.67
		2001	12	1,487	3.5	95.6	108,496		0.50	0.62			
Zaldívar <sup>(12)</sup>	100%	2002	42	15,961	1.0	84.4	325,825	+6%	0.45	0.59	311,400	0.48	0.63
		2001	50	16,458	1.2	69.6	308,664		0.43	0.56			
Metals hedging revenue		2002	1										
		2001	7										
<b>Total Copper</b>		2002	\$ 53				427,477	+2%	0.45	0.58	396,400	0.49	0.64
		2001	\$ 69				417,160		0.45	0.58			
<b>Other</b>		2002	[11]										
		2001	[10]										
<b>Consolidated Mine Operating Earnings<sup>(1)</sup></b>		2002	\$ 324										
		2001	\$ 336										

Notes: Refer to page 51 of this report for the notes to the Production and Operating summary. Effective January 1, 2002, Placer Dome is reclassifying amortization of deferred stripping costs as a cash cost instead of a non-cash cost in accordance with the Gold Institute's revised disclosure standard. Prior year's cash production costs have been restated for comparative purposes. The mines that were impacted by this change are the following with their 2001 deferred stripping cost per ounce as indicated: Bald Mountain (\$50/oz), Cortez (\$38/oz), Golden Sunlight (\$22/oz), Porgera (\$28/oz) and La Coipa (\$9/oz). During the fourth quarter of 2002, Placer Dome changed its accounting policy, retroactive to January 1, 2002, with respect to depreciation and depletion of property, plant and equipment at certain mining operations to exclude future estimated mining and development costs. The effect of the change in 2002 was to increase mine operating earnings by \$7 million.



# Management’s Discussion and Analysis

## 2002 Compared With 2001

Mine operating earnings were \$324 million in 2002, 4% lower than 2001 due to lower contribution from copper partially offset by increased contribution from gold.

Gold operating earnings increased by 2% in 2002 to \$282 million compared with 2001. Gold sales revenue was \$916 million in 2002 compared with \$927 million in the prior year reflecting a 4% decline in sales volume and a \$5 per ounce increase in the average realized price. Consolidated gold production increased by 1% from 2001 levels due to the AurionGold acquisition and increased production at a number of operations, most notably at Granny Smith due to commencement of production at the higher grade Wallaby deposit in the fourth quarter of 2001 and at Bald Mountain as a result of increased heap leach recoveries. This was mostly offset by the closure of the Kidston mine in 2001, reduced production from Golden Sunlight as it approaches the end of its mine life, lower production due to lower grades at Cortez and a lower share of production from the Dome mine due to the formation of the Porcupine Joint Venture with Kinross. Consolidated cash and total production costs per ounce for the year were \$178 and \$231, respectively, compared with \$175 and \$231, respectively, in 2001.

Copper operating earnings of \$53 million in 2002 were 23% lower than 2001 due primarily to a 4% lower realized price per pound. Copper sales revenue was \$289 million compared with \$291 million in 2001, reflecting the decrease in the average realized price partially offset by a 3% increase in sales volume. Consolidated copper production was 427.5 million pounds (193,955 tonnes), up marginally from last year due to higher production from the Zaldívar Mine. Consolidated cash and total production costs per pound of copper were \$0.45 and \$0.58, respectively, compared with \$0.45 and \$0.58, respectively, in 2001. The higher costs experienced at the Zaldívar Mine were offset by lower costs at the Osborne Mine.

## Canada

- Following completion of the revised mine plan in October 2001, production at **Campbell Mine** in 2002 increased 8% compared with prior year due to a 32% increase in grades and a slight increase in recoveries, partially offset by a 18% decrease in throughput. Throughput was reduced to permit an increase in development work necessary to provide adequate flexibility to the operation. Ongoing mine development and continued definition of the DC Zone resulted in probable mineral reserve additions of 0.3 million ounces.
- Development of the DC Zone will be initiated in 2003. The development program calls for an investment of \$17 million over three years of which approximately \$11 million will be

spent in 2003. The DC Zone is a new mining area within the Campbell mine and lies between 5500 and 6300 feet below surface, accessed by the bottom two levels of the Reid shaft. This investment will provide access to over 300,000 ounces of mineral resources and allow exploration in surrounding areas.

The DC Zone development is the initial success resulting from the ability to explore at depth with the completion of the Reid shaft. Over the next 5 years Campbell expects to average 200,000 ounces of production at cash costs averaging \$165/oz.

- Effective July 1, 2002, Placer Dome (CLA) Limited (“PDCLA”) and Kinross Gold Corporation (“Kinross”) formed the **Porcupine Joint Venture** which combined the operations of the Dome mine and mill with Kinross’ Hoyle Pond, Pamour and Nighthawk Lakes mines as well as the Bell Creek mill. The objective is to increase value by combining Dome’s modern operations with Kinross’ large and highly prospective land package that is expected to extend the productive life of the Dome facilities. PDCLA owns a 51% interest in and is the operator of the joint venture. The immediate focus will be on optimizing production from the combined operations. At the **Dome Mine**, production in the first six months of 2002 was 22% lower than the prior year period due to mechanical problems with the crushing and conveying circuit and lower grades. In the second half of 2002, the Porcupine Joint Venture contributed 101,919 ounces, which is 32% below Dome Mine’s contribution in the same prior year period. The contribution to Placer Dome’s annual production from the Dome Mine and the Porcupine Joint Venture for 2002 was 222,582 ounces, 27% below that of Dome Mine in 2001. The operations, as synergistic benefits are realized, are expected to continue the trend of increased production in the fourth quarter of 2002 throughout 2003 with Placer Dome’s share of production forecast to be 226,000 ounces with cash and total unit operating costs of \$209 and \$269 respectively. With mining of the Dome underground scheduled to be completed in early 2004, the focus will be to add significant mineral reserves and mineral resources through an aggressive underground and surface exploration program. The Pamour pit is the most prospective target at this time as the feasibility study was completed in 2002 adding 0.8 million ounces of mineral reserves (0.1 million ounces proven and 0.7 million ounces probable). This study will be expanded in 2003.
- At the **Musselwhite Mine**, Placer Dome’s share of gold production in 2002 was 10% lower than 2001, primarily due to unplanned production interruptions and delays in commissioning of the new underground crusher and conveyor system. The conveyor system is expected to meet design capacity in 2003.



# Management's Discussion and Analysis

Cash costs were higher due to these factors and increased development work, but are expected to improve to \$199/oz in 2003 as production returns to 2001 levels of 160,000 ounces to Placer Dome's account. A decrease in grades is offset by higher throughput resulting from the completion of the conveyor system. As a result of a re-negotiation with the local First Nations communities completed in 2002, Musselwhite is no longer subject to any limit on daily mill throughput.

Exploration efforts continue on increasing the mineral resource base of the mine within existing known areas of mineralization and exploiting the position of the mine as the only processing infrastructure within a 250 kilometre radius.

## *United States*

- Placer Dome's share of production from the **Cortez Mine** in 2002 was 9% lower than 2001 due primarily to lower grade ore for CIL processing and carbonaceous ore sales which ceased in July 2002 but restarted in November 2002. New terms for carbonaceous ore sales, which include the processing of previously uneconomic ore types, were renegotiated with Barrick Gold resulting in the resumption of sales. Unit cash and total production costs are higher in 2002 due to higher costs associated with South Pipeline and lower production.

Construction of the South Area Heap Leach pad was completed during 2002 with the pad being commissioned in July. The Cortez joint venture is currently undergoing permitting for the expansion of the South Pipeline deposit, which includes stages 8 and 9, as well as the Crossroads and Gap orebodies. Permitting is expected to be completed in 2004. Permitting for the Pediment deposit, which hosts a proven and probable mineral reserve of 1.2 million ounces, is also underway.

Cortez has completed an engineering pre-feasibility study comparing the viability of treating carbonaceous, preg-robbing ore from the Pipeline/South Pipeline deposit using two new competing processes. One method uses a modified cyanide-based leaching process and the other uses a thiosulfate-based heap leaching process. A full feasibility study is slated for late 2003 after completion of the current work program. The selected alternative will reduce Cortez' need to sell carbonaceous ore, thereby reducing costs and increasing the potential to add mineral reserves.

Gold production in 2003 is expected to be 8% lower than 2002 due to lower grades and throughput somewhat offset by higher heap leach production. Cash and total production costs per ounce are expected to increase 9% and 14% respectively from 2002 levels primarily due to lower production.

In 2003 the mine has an exploration budget of \$12 million that will focus on further delineation of known deposits and several prospective areas within the land package, including the Cortez deposit and Horse Canyon windows. At the Hilltop property, which hosts refractory and oxide material, further engineering and metallurgical testing will be conducted in 2003.

- At the **Bald Mountain Mine**, production in 2002 was 59% higher than 2001 due to improvements in leach pad solution chemistry leading to higher recovery and increased carbon column capacity. Gold production in 2003 is expected to decrease by 43% as mining is completed in July but production continues supplemented by the processing of stockpiles. The heap leach pads are expected to produce gold through 2008. A number of areas, including Stage 7 of the Top Pit are being evaluated to identify economic extensions to the life of the mine.
- With **Golden Sunlight** approaching the end of its mine life, gold production in 2002 was 43% lower than 2001. Milling of stockpiled ore was essentially completed in September 2002 when the pit ramp went into production. In the first quarter of 2002 a proposal for underground mining was approved and the project has been contributing ore since June. Golden Sunlight is expected to source ore from the ramp until May 2003 after which ore will be sourced from underground mining. The mine and mill are scheduled to close in September, 2003.

The mine has been conducting concurrent reclamation over the past several years and has completed reclamation of the first tailings impoundment and west waste rock dump at a cost of \$12 million, less than half of the amount currently secured by bond. The completed reclamation covers an area of 1,030 acres, or nearly half of the total area to be reclaimed. The mine continues to work closely with the local community to identify the best alternatives for use of the property post-closure.

Gold production in 2003 is expected to be 28% higher than 2002 at greater than 140,000 ounces with cash costs below \$150/oz driven by higher grades from the ramp and underground.

- In 2002, ongoing work at the **Getchell Mine** has been encouraging. During 2002, the operation had 57 employees who worked to further define the potential to resume mining the Getchell and Turquoise Ridge orebodies. This resulted in Placer Dome reporting proven and probable mineral reserves of 2.7 million ounces at year end (refer to the mineral reserve and mineral resources tables on pages 21 to 24 for more details). In September, a test-mining program at Turquoise Ridge and the high-grade N Zone was initiated to determine the viability of sustained production of 300,000



ounces per year from the mine, this work will continue through all of 2003. During the fourth quarter of 2002, the mine evaluated the economic potential of contract mining of the Getchell orebody resulting in a decision to commence contract mining in January 2003. In 2002, production from pre-existing stockpiles totalled 54,806 ounces which were processed at Newmont's Twin Creeks facility under the current contract that runs through June 2004. Production in 2003 from these initiatives is anticipated to be approximately 89,000 ounces at cash and total costs of \$172 and \$190 per ounce respectively.

### *Australia and Papua New Guinea*

- At the **Porgera Mine**, Placer Dome's share of production in 2002 was 3% below 2001 levels due to production interruptions in the third quarter of 2002 partially offset by higher grades and two months of production from the additional 25% interest in Porgera acquired in the AurionGold transaction. Electrical power was only available intermittently from July 16, 2002 until October 12, 2002 due to several acts of vandalism that interrupted the power supply. The open pit operations were suspended from August 27, 2002 until October 12, 2002. Cash and total costs per ounce at \$216 and \$269 (excluding \$7 million of costs related to the production interruption) respectively, are higher than 2001 due to lower production as well as amortization of the fair value allocation to the additional 25% interest from the AurionGold acquisition.

Underground mining, which was suspended in 1997, recommenced in the fourth quarter of the year. A probable underground mineral reserve of 0.6 million ounces is reported for Porgera. Greater understanding of the costs of underground mining has lead to a review of the underground mineral resource to evaluate a more appropriate cut-off grade. A lower cut-off grade would substantially increase continuity of the underground mineral resource.

In 2003, Placer Dome's share of gold production is expected to be 571,000 ounces, a 55% increase over 2002 due to higher throughput and grades and ownership of the additional 25% interest for the full year. Unit cash and total operating costs are expected to increase by approximately 10% in 2003 from 2002 due to an increase in the percentage of more costly underground feed in 2003 and the amortization of the fair value allocation from the AurionGold acquisition.

- At the **Granny Smith Mine**, Placer Dome's share of production in 2002 was 326,894 ounces (or 57%) higher than 2001 due to the commencement of production from the higher grade Wallaby deposit in the fourth quarter of 2001 and two months of production from the additional 40% interest in Granny Smith acquired in the AurionGold transaction. Both the Sunrise and Jubilee pits were depleted during the first quarter of 2002.

In 2003, production is expected to be around 283,000 ounces, a 13% decrease from 2002 due to lower grades, production and recovery due to harder ore as the Wallaby pit deepens partially offset by ownership of the additional 40% interest for the full year. Unit cash and total operating costs are expected to increase by approximately 58% and 68% respectively in 2003 due to lower gold production and higher depreciation associated with the fair value allocation of the 40% interest from the AurionGold acquisition.

- At the **Osborne Mine**, copper and gold production in 2002 were 101.7 million pounds and 38,149 ounces respectively, a decrease of 6% and 9% from 2001 levels due primarily to lower grades. Cash and total cost per pound of copper (Osborne produces copper concentrate with gold as a by-product) were \$0.47 and \$0.58 respectively a 6% and 7% decrease from 2001 due to cost control efforts. Production for 2003 is expected to be approximately 85 million pounds of copper and 37,000 ounces of gold with cash and total costs per pound of \$0.55 and \$0.67 respectively. The anticipated decrease in copper production and corresponding increase in unit costs is due to lower copper grades.
- Mining was completed at the **Misima Mine** on May 26, 2001 and production for the remainder of 2001 and all of 2002 was from the processing of stockpiled ore. Stockpile milling is anticipated to continue into 2004. Production in 2002 was lower than 2001 due to higher throughput more than offset by lower grade. Production for 2003 is expected to be approximately 6% below 2002 levels due to decreased throughput.
- As a result of the AurionGold acquisition, in addition to the interests discussed above, Placer Dome acquired the **Paddington** and **Kundana** mills and related mines (collectively "**Kalgoorlie West**"), and the **Kanowna Belle** and **Henty** mines effective October 31, 2002. Placer Dome's share of production from these mines for the final two months of 2002 were 61,841 ounces from Kalgoorlie West, 69,337 ounces from Kanowna Belle and 7,963 ounces from Henty.

In December 2002, Kanowna Belle suffered a slide along a known fault that affected its pit ramp. Impact on production was minimal and operations returned to normal after access to a portal was restored. Remediation of the pit ramp will be completed in the first quarter of 2003 at a cost of \$1 million.

Forecast production for 2003 for the mines are approximately 381,000 ounces from Kalgoorlie West, 242,000 ounces from Kanowna Belle and 95,000 ounces from Henty at cash costs of \$230, \$172 and \$183 per ounce respectively. As a result of higher depreciation associated with the fair value allocation from the AurionGold acquisition, total unit costs for each of these mines will be approximately \$300 per ounce for



# Management's Discussion and Analysis

2003. The 2003 production forecast and unit cost estimates are based on the mining plans developed by AurionGold prior to its acquisition by Placer Dome and are potentially subject to revision when Placer Dome completes its own strategic business plan for each of the sites.

## South Africa

- At the **South Deep Mine**, Placer Dome's share of production for 2002 was 14% higher than the prior year due to higher throughput, partially offset by lower grades. Unit cash and total production costs, at \$204 and \$241 per ounce, respectively, were marginally higher compared with the prior year period, as the costs related to higher throughput and local inflation were partially offset by increased production and the favourable impact of a weakening rand relative to the US dollar, (which, in yearly average terms, declined in value by about 22% from 2001 to 2002).
- In 2002, construction activity was focused on enhancing underground haulages, ventilation and service infrastructure to accommodate rising production volumes. During the first half of the year, the main shaft was completed to its ultimate depth of 2,990 metres and the new 7,350 tonnes per day mill was commissioned with its first gold poured in June. Equipping of the main shaft is in progress and commissioning is planned for late 2003, with full operation by 2004. The vent shaft is also scheduled for commissioning in the first quarter of 2004. The final year of significant capital expenditures on the new infrastructure will be 2003 as the operation invests \$48 million for Placer Dome's share of capital less any internal cash flow generated by the operation.
- Placer Dome expects gold production (100%) will gradually ramp up from 460,000 ounces per year in 2003 to 700,000 ounces per year by 2007, averaging 600,000 ounces per year over this five-year period. Beyond 2007, production is expected to exceed 750,000 ounces per year.
- South Deep success in transitioning to a mechanized operation continues with greater than 50% of production coming from mechanized stopes in the fourth quarter of 2003. One new mechanized fleet will be commissioned in 2003 taking the total fleets in operation to five. For 2003 greater than 50% of production will be derived from mechanized areas.
- Over the next five years, Placer Dome expects cash and total costs to average about \$145 and \$180 per ounce, respectively. Longer term, after full production is achieved, cash and total costs are expected to average about \$135 and \$175 per ounce, respectively. These unit costs are based on a long term rand to US dollar exchange rate of 11:1, any change from which would have an impact on the unit costs. At December 31, 2002 this exchange rate was approximately 8.6:1.

- On October 10, 2002, the Mineral and Petroleum Resources Development Act No. 28, 2002 (the "Act") was promulgated into law by publication in the South African Government Gazette. The Act will come into operation on a date fixed by the President by proclamation. It is expected that commencement of the Act will not be proclaimed until the related instruments (including regulations, and the Charter and money bill) have been introduced, finalized and brought into operation. (See the *Government regulations and changes in legislation* heading of the *Risks and Uncertainties* section of this Management Discussion and Analysis for more information.)

At present, the financial implications of various pieces of the new legislation cannot be assessed, therefore Placer Dome is not in a position to quantify either the increase in costs or the other impacts of the proposed royalty and Charter targets on operations at South Deep. Depending on the final provisions of the new legislation, there is a possibility of a material increase in costs to the operations at South Deep. Placer Dome will continue to monitor closely the progress of the Act and related instruments and assess their impact on current operations and future development at South Deep.

## Chile

- At the **Zaldívar Mine**, copper production in 2002 increased by 6% compared with 2001 due to higher recoveries. In 2003, production is targeted at 311 million pounds (141,200 tonnes), 4% lower than 2002 due primarily to lower grade ore budgeted for the year. Cash and total costs are expected to rise to \$0.48 and \$0.63 per pound, respectively, reflecting lower production and higher consumables costs.
- At the **La Coipa Mine**, Placer Dome's share of gold production in 2002 was 95,989 ounces, an increase of 64% compared with 2001 due to higher grades. Silver production in 2002 was 3,595,000 ounces compared to 6,060,000 in 2001, with the decrease being primarily due to the mining of lower grade silver ore in 2002. Cash and total cost per equivalent ounce of gold (calculated using a ratio of the silver market price to gold market price) increased to \$224 and \$306 from \$212 and \$297 respectively in 2001 due to the fact that the higher gold grades were more than offset by the lower silver grades. Gold production in 2003 is expected to decrease by 10% from 2002 levels while silver production is expected to increase by 11% to 4,000,000 ounces due to changing grades and recoveries for each metal. Cash cost per equivalent ounce is expected to decrease by 4% from 2002 levels due to an increase in capitalized development work.



# Management’s Discussion and Analysis

## 2001 Compared With 2000

Mine operating earnings were \$336 million in 2001, 24% lower than 2000 due primarily to lower contribution from gold.

Gold operating earnings declined by 24% in 2001 to \$275 million compared with 2000 due primarily to a 13% decline in sales revenue. Gold sales revenue was \$927 million in 2001 compared with \$1,063 million in the prior year reflecting a 7% decline in sales volume and a \$20 per ounce decrease in the average realized price. Consolidated gold production declined by 8% to 2,776,000 ounces compared with the prior year with nine of the eleven consolidated gold mines experiencing lower production. Consolidated cash and total production costs per ounce for the year were \$175 and \$231, respectively, compared with \$172 and \$230, respectively, in 2000. Despite the impact of lower production, unit cash costs in 2001 were substantially the same as last year due primarily to the favourable impact of weaker local currencies against the US dollar, as well as cost cutting and productivity improvements at a number of the operations. For the 12-month period ended December 31, 2001, the Canadian, Australian, Papua New Guinean, Chilean and South African currencies weakened by 6%, 9%, 24%, 15% and 58%, respectively relative to the US dollar.

Copper operating earnings of \$69 million in 2001 were 22% lower than 2000 with a 9% improvement in unit total production costs being more than offset by a 15% decline in sales revenue. Copper sales revenue was \$291 million compared with \$343 million in 2000, reflecting declines of 4% in sales volume and 10% in the average realized price. Consolidated copper production was 417.2 million pounds (189,220 tonnes), 3% down from last year due to lower production from the Zaldívar Mine. Consolidated cash and total production costs per pound of copper were \$0.45 and \$0.58, respectively, compared with \$0.45 and \$0.64, respectively, in 2000. The \$0.06 per pound decline in unit total production costs in 2001 reflects lower depreciation charges resulting from the 2000 year-end mineral reserve increase at the Zaldívar Mine and the asset write-down at the Osborne Mine.

## Consolidated Gold Production Costs per Ounce

Consolidated cash and total production costs per ounce of gold, in accordance with the Gold Institute Standard, are as follow:

	2002	2001	2000
Direct mining expenses	\$ 160	\$ 166	\$ 166
Stripping and mine development adjustment	3	—	(1)
Third party smelting, refining and transportation costs	1	1	1
By-product credits	(1)	(2)	(2)
Cash operating costs per ounce	163	165	164
Royalties	10	6	5
Production taxes	3	2	2
Total cash costs per ounce <sup>(i)</sup>	176	173	171
Depreciation	43	43	36
Depletion	4	2	14
Reclamation and mine closure	4	8	8
Total production costs per ounce	\$ 227	\$ 226	\$ 229

## Consolidated Gold Production Costs per Ounce

Consolidated cash and total production costs per ounce for gold mine operations have been derived from amounts included in sales revenues, cost of sales and depreciation and depletion in the Consolidated Statements of Earnings as follows:

(in millions of dollars except production and cost per ounce)	2002	2001	2000
Cost of sales related to gold operations	\$ 499	\$ 519	\$ 539
By product credits included in sales revenue	(4)	(4)	(6)
Inventory adjustments	4	(17)	2
Reclamation costs	(12)	(25)	(24)
Other <sup>(i)</sup>	(9)	—	—
Gold production costs	\$ 478	\$ 473	\$ 511
Gold produced (000's ozs) <sup>(ii)</sup>	2,718	2,734	2,994
Cash production cost per ounce <sup>(iii)</sup>	\$ 176	\$ 173	\$ 171
Depreciation and depletion related to gold operations	\$ 126	\$ 119	\$ 150
Reclamation costs	12	25	24
Gold non-cash production costs	\$ 138	\$ 144	\$ 174
Gold produced (000's ozs.) <sup>(ii)</sup>	2,718	2,734	2,994
Non-cash production cost per ounce	\$ 51	\$ 53	\$ 58
Total production cost per ounce	\$ 227	\$ 226	\$ 229

- (i) Gold produced excludes production by Osborne as it produces copper concentrate with gold as a by-product. Other includes management fees and unusual costs such as significant severance or costs incurred during temporary mine shutdowns.
- (ii) Effective January 1, 2002, Placer Dome is reclassifying amortization of deferred stripping costs as a cash cost instead of a non-cash cost in accordance with the Gold Institute's revised disclosure standard. Prior year's cash production costs have been restated for comparative purposes.



# Management's Discussion and Analysis

## 3. Other Income and Expenses

### General and Administrative Expenses

General and administrative expenses were \$40 million in 2002, \$41 million in 2001, and \$43 million in 2000.

### Exploration Expense

	2002	2001	2000
Minesites	\$ 28	\$ 20	\$ 16
Getchell, Nevada	4	4	21
Donlin Creek, Alaska	1	—	2
Other	19	20	17
	\$ 52	\$ 44	\$ 56

Exploration expense was \$52 million in 2002, \$44 million in 2001 and \$56 million in 2000. Minesite exploration, where the probability of success and benefit is highest, was increased to \$28 million in 2002 compared with \$20 million and \$16 million in 2001 and 2000, respectively. The increase was due in part to Placer Dome's strategic focus on increasing the percentage of exploration dollars spent at existing minesites.

### Resource Development, Technology and Other Expenses

	2002	2001	2000
Getchell development and holding costs	\$ 15	\$ 30	\$ 28
Pueblo Viejo	3	3	—
Las Cristinas	—	2	6
Aldebarán feasibility and holding costs	1	1	8
Total Resource Development	19	36	42
Technology	7	7	5
Equity Silver reclamation	12	1	1
Gold marketing	7	6	3
Other	10	6	4
	\$ 55	\$ 56	\$ 55

Development and holding costs for Getchell and Las Cristinas relate to ongoing site costs from July 1999, subsequent to the suspension of Getchell's mining operations and Las Cristinas' mine construction. Technology expenditures relate to the research and development of improved methods of locating, extracting and processing ore at lower costs and with less risk and disturbance to the environment, as well as the exploitation of opportunities to reduce procurement and supply costs through information technology (e-commerce) and business process optimization. Reclamation costs for Equity Silver in 2002 relate to an accrual for additional capital expenditures to upgrade water treatment facilities and for the long term operation of those facilities. In January 2000, Placer Dome completed the final feasibility study on the Aldebarán property in Chile, and concluded that the project was not economic at prevailing prices for gold and copper. Of the \$8 million Aldebarán costs incurred in 2000, \$5 million related to the accrual for outstanding commitments to Bema Gold Corporation.

### Write-downs of Mining Interests

Annually, or more frequently as circumstances require, the Corporation performs property evaluations to assess the recoverability of its mining properties and investments. Impairment evaluations for the operating assets consist of comparing the estimated undiscounted future net cash flows for each asset with its carrying value, and where the cash flows are less, a write-down to estimated fair value is recorded.

Mine asset impairment analyses were performed using a long-term gold price of \$300/oz. in 2002, \$275/oz. in 2001 and \$300/oz. in 2000. For short-lived mines and stock-piled ore, a gold price of \$300/oz. was used in 2002 and \$275/oz. was used in 2001 and 2000. In 2002, no write-downs were required.

In 2001, Placer Dome recorded write-downs and provisions totalling \$301 million (with nil tax effect), including \$292 million for the Getchell Mine and \$8 million for the Bald Mountain Mine. In the third quarter, Placer Dome wrote off Getchell after extensive analysis at then current gold prices failed to identify a mine plan that would recover the carrying value of the asset. The charge was comprised of \$268 million primarily for property, plant and equipment and accruals of \$24 million for reclamation and closure obligations.

In 2000, a \$377 million non-cash charge (\$328 million after tax), comprised of \$147 million for Porgera, \$116 million for Las Cristinas, \$66 million for Getchell, \$45 million for Osborne and \$3 million at Bald Mountain, was recorded. At Porgera, the write-down comprised of reductions to stock-piles (\$9 million), capitalized development (\$38 million) and the remaining excess purchase price (\$100 million) which arose in 1997 with the acquisition of Highlands Gold Limited for the additional 25% interest in the Porgera Mine. The provision at Getchell included a write-down of \$40 million for mine development in the Getchell underground, \$15 million for a portion of the mill, and \$11 million for previously capitalized exploration, development costs and obsolete equipment. The provision at Osborne primarily related to capitalized development costs. In the second quarter of 2000, the Corporation wrote off its investment in Las Cristinas as a review of options to resume development of the project, which was halted in July 1999, at a lower capital cost concluded it was not economic at current or foreseeable gold prices. On July 13, 2001, Placer Dome's wholly owned subsidiary, Placer B-V Limited ("PBV") sold all of its shares of Placer Dome de Venezuela C.A. which held a majority interest in Minera Las Cristinas, the corporation formed to develop the Las Cristinas property.



# Management's Discussion and Analysis

While the estimates incorporated in the calculations for the asset impairment evaluations were based on historic and anticipated processing costs and operational results, these variables are subject to a number of uncertainties including the ultimate gold content of the ore, the efficiency of the gold recovery and the ultimate costs to extract and process the ore. Should the gold price fall below the \$300 per ounce level over the longer term or should some of the other assumptions prove incorrect, additional asset impairment provisions may be required.

## Non-hedge Derivative Gains (Losses)

	2002	2001	2000
Realized non-hedge derivative gains (losses)			
Currency	\$ (8)	\$ (18)	\$ (62)
Unrealized non-hedge derivative gains (losses)			
Metals	(13)	4	14
Currency	24	(15)	11
	\$ 3	\$ (29)	\$ (37)

In 2002, Placer Dome realized losses on currency derivatives, primarily on option contracts relating to the Australian dollar. The unrealized non-hedge derivative gains (losses) relate to the change in mark-to-market values of foreign currency forward and option contracts and certain metals option contracts which do not meet the exemption under FAS 138. In 2002, some of these contracts were acquired as part of the AurionGold acquisition. The cumulative gain in 2002 reflected a strengthening of the Australian dollar relative to the US dollar during the year over the period which these instruments were held including those from the AurionGold acquisition.

## Investment and Other Business Income

	2002	2001	2000
Interest income	\$ 10	\$ 16	\$ 18
Dividend income	5	—	—
Gain and interest income on sale of water rights	6	6	76
Foreign exchange gains (losses)	(2)	(4)	3
Cumulative translation adjustment recognized on the closure of Kidston	—	21	—
Gains on sales of investments and assets	9	2	10
Gains on redemption of preferred securities	—	—	5
Other	11	1	10
	\$ 39	\$ 42	\$ 122

Interest income was \$6 million lower than the prior year due to lower short term interest rates partially offset by higher cash and investment balances throughout 2002. The decline

in interest income in 2001 from 2000 was due to lower short term interest rates. In the third quarter of 2002, Placer Dome recorded dividend income of \$5 million from its investment in AurionGold. After the acquisition of control of AurionGold in the fourth quarter, the operations were consolidated. In December 2000, Zaldivar completed the sale of some of its water rights for a sum of \$135 million, receivable in fifteen equal annual installments of \$9 million commencing July 1, 2001. This resulted in a pre-tax gain of \$76 million (\$49 million after tax) on a discounted basis. In the third quarter of 2001, with the shut-down of the Kidston Mine, Placer Dome realized a gain of \$21 million on the cumulative translation adjustment on its investment, the amount of which was previously recognized in accumulated other comprehensive income. In 2000, included in gains on investments and assets was \$8 million, recorded in the first quarter, related to the disposal of the Corporation's common share investment in Vengold Inc. Of the \$10 million in other income in 2000, \$7 million was related to the settlement of a 1993 sale agreement with the Papua New Guinea Government for its acquisition of additional ownership interests in the Porgera Mine.

## Interest and Financing Expense

Interest and financing costs were \$72 million in 2002, compared with \$76 million in 2001 and \$79 million in 2000. Of these amounts, \$6 million were capitalized in 2002, \$6 million in 2001 and \$4 million in 2000 in connection with construction projects. The lower level of interest and financing expenses in 2002 reflects the debt repayments made in all three years.

## Other Items Affecting Earnings

The effective tax rates were 22% in 2002, 22% in 2001 and 8% in 2000 (see note 8(c) to the consolidated financial statements for further information). Also, tax rates over the last three years have declined due in part to tax rate reductions in a number of jurisdictions where Placer Dome's operations are located.

Equity in the results of associates was a gain of \$5 million in 2002, compared with a loss of \$1 million in 2001 and a loss of \$4 million in 2000.

During the fourth quarter of 2002, Placer Dome changed its accounting policy, retroactive to January 1, 2002, with respect to depreciation and depletion of property, plant and equipment to exclude future estimated mining and development costs. Previously, certain mining operations had included these future cost estimates and associated reserves in their depreciation calculations. This change was made to remove the inherent uncertainty in estimating future mining and development costs in arriving at depreciation and amortization rates. The cumulative effect of this change through December 31, 2001 was to decrease earnings



# Management’s Discussion and Analysis

on a pre and after tax basis by \$8 million (\$0.02 per share). The effect of the change in 2002 was to increase earnings on a pre and after tax basis before the cumulative effect of the accounting change by \$7 million (\$0.02 per share). The above items combined to decrease net earnings by \$1 million in 2002.

## 4. Financial Condition and Liquidity

### Cash From Operations

Cash flow from operations was \$320 million in 2002 compared with \$340 million and \$343 million in 2001 and 2000, respectively. The decrease of 6% from 2001 primarily reflects an increase in the investment in non-cash working capital partially offset by higher cash earnings.

### Investing Activities

Total funds invested in property, plant and equipment, excluding deferred stripping, over the last three years are detailed below.

	2002	2001	2000
South Deep development	\$ 45	\$ 51	\$ 43
Cortez heap leach pad expansion	13	3	—
Wallaby development	7	34	—
Zaldívar dynamic pad project	—	31	5
Getchell development	—	14	32
Other	62	59	62
	\$ 127	\$ 192	\$ 142

Development at South Deep primarily related to the main shaft and underground development. In 2002, investing activities included a net \$47 million cash expenditure on the AurionGold acquisition (\$76 million of acquisition costs offset by \$29 million in cash in AurionGold upon acquisition). In 2000, investing activities also included sales proceeds of \$17 million of which \$9 million were related to the disposal of shares of Vengdo Inc.

### Financing Activities

Consolidated short and long-term borrowings were \$947 million at December 31, 2002, compared to \$844 million at the end of 2001. Financing activities in 2002 included net debt and capital lease repayments of \$34 million and dividend payments of \$46 million. In 2002, the Corporation assumed \$137 million of debt in its acquisition of AurionGold. In 2001, the Corporation made net debt and capital lease repayments of \$34 million and paid out \$38 million in dividends. In 2000, the Corporation retired \$28 million of long-term debt at a cost of \$23 million, made capital lease payments of \$8 million, repaid \$31 million of short-term debt and paid dividends of \$35 million.

### Cash Resources and Liquidity

At December 31, 2002, Placer Dome had cash and short-term investments of \$544 million resulting in working capital of \$284 million, compared with \$439 million and \$499 million, respectively, at the beginning of the year. The decrease in working capital is attributable to the \$137 million of short term debt assumed in the AurionGold acquisition and the fact that \$200 million of Placer Dome’s unsecured bonds are due in 2003. Of Placer Dome’s cash and short-term investments, \$519 million was held by the Corporation and its wholly-owned subsidiaries and \$25 million by other subsidiaries. In September 2002, Placer Dome renewed the 364-day revolving term portion of its credit facilities with an international consortium of banks at an amount of \$280 million. Including the fully committed facility of \$400 million (through to 2005) and other minor lines, Placer Dome had approximately \$732 million of undrawn bank lines of credit available at December 31, 2002.

In 2003, the Corporation plans to further reduce its long-term debt by \$337 million with the scheduled maturity of a portion of its bonds and repayment of the \$137 million in debt assumed in the AurionGold acquisition.

At December 31, 2002, Placer Dome has outstanding commitments aggregating \$30 million under capital expenditure programs, primarily related to the South Deep mine.

### Forward Sales, Options and Other Commitments

Placer Dome enters into financial agreements with major international banks and other financial institutions in order to mitigate revenue and cost volatility arising from fluctuations in commodity prices, foreign currency exchange rates and interest rates. Contracts include forward sales and options, which with the exception of call options, commit counterparties to fixed prices payable at a future date. There are no margin call provisions in any of the Corporation’s counterparty agreements.

Specific limits are set as a declining percentage of planned production (or production costs) in each of the next 15 years. These limits are set out in policies approved by the Board of Directors and reviewed not less than annually. Under its programs, Placer Dome has established the minimum prices it expects to receive (or pay) in the future for a portion of metal sales (and foreign currency production costs), through a combination of forward sales contracts and options. Under the metal sales program, forward sale and call and cap option commitments represent approximately 23%, 56% and 24%, and put options represent approximately 24%, 26% and 0% of 2003 projected gold, silver and copper production, respectively.



Precious Metals

At December 31, 2002, Placer Dome has committed a maximum of 12.6 million ounces under its gold sales program, or approximately 24% of reserves, at an average price of \$375 per ounce for delivery over a period of 14 years. The maximum committed ounces include 5.6 million ounces assumed as part of the AurionGold transaction. The consolidated precious metal sales program consisted of the following (see note 17 of the consolidated financial statements for detailed allocations):

	Quantity (millions of ozs)	Average Price (\$/oz)
<b>Gold</b>		
Fixed forward and fixed interest floating lease rate contracts	6.2	\$ 423
Australian dollar forwards (converted to US dollar)	3.5	331
Call options sold and cap agreements	3.3	332
Call options purchased	(0.4)	461
Maximum committed ounces	12.6	
Put options purchased	2.3	349
<b>Silver</b>		
Fixed forward contracts	1.4	5.66
Call options sold	1.2	5.50
Total committed ounces	2.6	
Put options purchased	1.2	4.90

On December 31, 2002, based on the spot gold price of \$343 per ounce, a spot silver price of \$4.67 per ounce and an AUD/USD rate of 1.7649, the mark-to-market value of Placer Dome’s precious metals sales program was approximately negative \$100 million. This amount represents what Placer Dome could have paid to counterparties if the contracts were closed out at December 31, 2002 under prevailing market conditions without any allowance for market illiquidity.

The unrealized mark-to-market value of positive \$91 million reflects the potential income statement effect that Placer Dome could have realized had it closed out its contracts at December 31, 2002. This amount is the negative mark-to-market balance of \$100 million less the deferred commodity derivative provision of \$191 million recorded on Placer Dome’s balance sheet at December 31, 2002 primarily related to the fair value of the AurionGold precious metal hedge book on the date that Placer Dome acquired control of AurionGold.

The mark-to-market and unrealized mark-to-market amounts are not estimates of future gains or losses which depend on various factors including contango and interest rates, gold lease rates and the then prevailing spot price.

The year-over-year change in the mark-to-market value of Placer Dome’s precious metals sales program and the reconciliation to the unrealized mark-to-market value are detailed as follows:

	\$ (in millions)
Mark-to-market value at December 31, 2001	\$ 490
Value realized	(83)
Change in spot price	(643)
Positions added	3
AurionGold position (at December 31, 2002)	(290)
Accrued contango	162
Change in volatility, rates	261
Mark-to-market value at December 31, 2002	(100)
Provision included in Deferred Commodity and Currency Derivatives liability relating primarily to the fair value of the AurionGold precious metal hedge book on acquisition by Placer Dome	191
Unrealized mark-to-market value at December 31, 2002	\$ 91

Copper

At December 31, 2002, Placer Dome’s copper sales program consisted of the following for delivery over the next 12 months (see note 17 of the consolidated financial statements for detailed allocations).

	Quantity (millions of lbs)	Average Price (\$/lb)
<b>Copper</b>		
Forward contracts	49.6	\$ 0.76
Call options sold	49.6	0.82
Total committed pounds	99.2	0.79
Put options sold	39.7	0.70

The mark-to-market value of the copper sales program on December 31, 2002 was approximately \$1 million based on a spot copper price of \$0.70 per pound.

Currencies

As at December 31, 2002, Placer Dome’s currency forward and option contracts consisted of the following for delivery over the next 5 years (see note 17 of the consolidated financial statements for detailed allocations).

	Quantity (millions of US\$)	Average Price (per US\$)
<b>Canadian dollars</b>		
Fixed forward contracts	\$ 8	\$1.5177
Put options sold	14	1.5925
Total committed dollars	22	1.5653
Call options purchased	14	1.5207
<b>Australian dollars</b>		
Fixed forward contracts	96	1.9771
Put options sold	211	1.5874
Total committed dollars	307	1.6181
Call options purchased	265	1.4734

At December 31, 2002, if Placer Dome closed out its currency derivative program, the cost would have been approximately \$24 million (based on foreign exchange rates of CAD/USD—1.5796; AUD/USD—1.7649).



## 5. Strategy

Placer Dome's strategy is to increase shareholder value by continuing to build upon its high quality portfolio of gold producing assets and thereby achieve long-term growth in cash flow and earnings per share. Placer Dome has a clear strategy with measurable objectives and deliverables that has three components:

- Optimizing the performance and value of existing assets;
- Investing in new high quality assets; and
- Improving the business through innovation to lower costs and provide a competitive advantage — technically, environmentally and socially.

In addressing the first component of Placer Dome's value creation strategy, Placer Dome continues to enhance the performance of existing assets through productivity improvements, cost cutting and mine site exploration programs which add value by extending the mine life. Placer Dome has a reputation for technical expertise, and applies those skills to the optimization of each of its mines.

The second component of Placer Dome's value creation strategy involves enhancing the existing portfolio of operating assets through exploration, project development and acquisition. For instance, Placer Dome has rights or ownership interests in four large undeveloped gold deposits (Pueblo Viejo, Aldebarán, Donlin Creek and Getchell) as well as attractive investment opportunities from exploration projects in and around existing operations and new greenfields projects.

The third component of Placer Dome's strategy is investment in research and technology to more efficiently and effectively extract and process ore and contribute to environmental, safety and sustainable development objectives.

Consistent with the strategic objectives, Placer Dome in recent years has acquired interests in a number of properties, initiated new developments and expanded existing operations:

- In the fourth quarter of 2002, Placer Dome acquired control of AurionGold. The acquisition increases Placer Dome's ownership in the Granny Smith and Porgera gold mines to 100% and 75% respectively, includes the Paddington and Kundana mills and related gold mines as well as the Kanowna Belle and Henty gold mines in Australia and provides significant land positions within the prospective Kalgoorlie and Laverton regions of Western Australia. It will add approximately 1 million ounces of gold to Placer Dome's annual production. Placer Dome also expects to realize synergies, over time, through rationalization of corporate overhead and exploration programs, reductions in procurement costs, financing costs and income taxes and other operational benefits;

- Effective July 1, 2002, Placer Dome and Kinross Gold Corporation ("Kinross") formed the Porcupine Joint Venture, which combined the operations of the Dome mine and mill, with Kinross' Hoyle Pond, Pamour and Nighthawk Lakes mines as well as the Bell Creek mill. A wholly owned subsidiary of Placer Dome owns a 51% interest in and is the operator of the joint venture, while Kinross owns the remaining 49% interest. The focus of the joint venture will be to add significant mineral resources through an aggressive underground and surface exploration program. The Pamour pit is the most prospective target at this time as an initial feasibility study on the site completed in 2002 resulted in the addition of 0.8 million ounces of mineral reserves (0.1 million ounces proven and 0.7 million ounces probable) and an expanded feasibility study is planned for 2003.
- Examples of asset optimization include: the commissioning of a new conveyor and crusher system at the Musselwhite Mine; the sale of ore agreement between the Cortez mine and the Barrick Gold Strike mine; and the sale of stockpiled ore and production from the Getchell mine to Newmont's Twin Creeks;
- Examples of asset development in 2002 and 2001 include: construction of the new main shaft at South Deep (scheduled to be commissioned in late 2003), the initiation of a test mining program at the Turquoise Ridge deposit and the successful evaluation of the economic potential of contract mining at the Getchell deposit at the Getchell Mine; bringing into production the South Pipeline deposit at the Cortez Mine; development of the Wallaby deposit at the Granny Smith Mine; and development of Stage 5 at the Porgera Mine;
- On February 11, 2003, Placer Dome announced that it had exercised its option to become joint venture manager and earn an additional 40% interest, for a total of 70%, in the Donlin Creek project from NovaGold Resources Inc. Placer Dome can vest its additional 40% if it expends a minimum of \$30 million, completes a feasibility study and makes a decision to construct a mine on the property at a production rate of not less than 600,000 ounces of gold per year by November 13, 2007. If Placer Dome chooses to terminate such expenditures and not to complete its earn-in, joint venture management would revert to NovaGold and the Corporation retains its 30% participating interest;



# Management's Discussion and Analysis

- The Cortez Mine is a good example of technical innovation at work. It has completed an engineering pre-feasibility study comparing the viability of treating carbonaceous, preg-robbing ore from the Pipeline deposit using two new competing processes. One method uses a modified cyanide-based leaching process and the other uses a thiosulfate-based heap leaching process. A full feasibility study is slated for late 2003 after completion of the current work program. The selected alternative will reduce Cortez' need to sell carbonaceous ore, thereby reducing costs and increasing the potential to add mineral reserves; and
- Two other promising technology based projects are the "MiniMole" and a fuel cell powered locomotive. By December of 2002, Placer Dome completed the fabrication of its first MiniMole prototype and commenced quarry trials in early 2003. This research program is pursuing the development of a novel new machine that will allow the "surgical" mining of narrow vein and reef-type deposits. Mining in this selective manner has the aim of removing personnel from the active rock face thereby making the exploitation of these deposits much safer. It will also drastically reduce the amount of development and waste dilution that is experienced with conventional mining methods. Placer Dome is one of the founding members of the Fuelcell Propulsion Institute of Denver, Colorado which is a consortium for the development of fuel cell powered underground mining vehicles. These vehicles will offer the advantages of no harmful emissions, reduced mine ventilation costs, and ultimately, healthier workplace environments. A significant milestone was reached in October 2002, when the first-ever fuel cell powered mining vehicle in an operating underground mine was successfully demonstrated at the Campbell Mine. This trial of a fuel cell locomotive was coordinated by Placer Dome Technical Services Limited and managed by Vehicle Projects LLC, Denver.

Placer Dome's specific targets for 2003 relating to the above strategic goals include:

- Production of approximately 3.5 million ounces of gold at cash and total costs of around \$195 and \$255 per ounce respectively and approximately 400 million pounds of copper at cash and total costs of \$0.49 and \$0.64 per pound respectively;
- Advance exploration and development projects and acquire new projects;
- Continued advancement towards the implementation of Placer Dome developed technologies at mine sites; and

- Make significant progress on an enterprise-wide business process improvements initiative to consolidate and standardize business processes and systems across all operations worldwide to generate significant cost savings and competitive benefits.

As a result of its strategic initiatives, Placer Dome's longer-term expectation is to remain a major global gold miner with a high quality, geographically balanced portfolio; benefiting from its strong sustainability programs. Its technology focus will have led it to advance, protect and implement new technologies that improve operating performance at all sites and are protected as intellectual property. Through the implementation of business process redesign it will have achieved industry leading enterprise-wide business processes and systems that enable global innovation, planning and execution of strategy.

Placer Dome's strategic plan is expected to result in a low cost, high quality portfolio of gold mining assets, a strong balance sheet, investment grade credit ratings and stable long term cash flow growth.

## 6. Risks and Uncertainties

In conducting its business, Placer Dome faces a number of risks. These are summarized below and have been separated into two groups:

- risks related to the mining industry generally; and
- risks related to Placer Dome's operations.

### Risks related to the Mining Industry Generally

#### *Metal Price Volatility*

The cash flow and earnings of Placer Dome are derived primarily from gold and copper mining and hence are extremely dependent on metal prices which fluctuate widely and are affected by numerous factors beyond Placer Dome's control. Factors tending to affect the price of gold include:

- governments' sale or lending of gold bullion, and perceptions of their intentions in future;
- expectations of the future rate of global monetary inflation and interest rates;
- confidence in the relative strength of the US dollar against other fiat currencies generally;
- general economic conditions and the perception of risk in capital markets;
- political conditions including the threat of war, and restrictions on the acquisition and holding of gold;
- speculative trading;



# Management’s Discussion and Analysis

- investment demand for gold;
- demand for gold for use in jewellery and fabrication; and
- supply of gold from production, disinvestment and scrap recycling.

Factors tending to affect the price of copper include:

- global production and inventory stocks;
- general economic conditions; and
- industrial demand.

The effects of these factors, individually or in aggregate, on the prices of gold and / or copper is impossible to predict with accuracy. Fluctuations in metal prices may adversely affect the market value of Placer Dome’s metals inventory, Placer Dome’s financial performance or results of operations. Further, if the market price of gold and / or copper falls, profitability and cash flow will suffer and Placer Dome may experience losses, asset write-downs and may curtail or suspend some or all of its exploration, development and mining activities.

Furthermore, sustained low gold and / or copper prices can: (1) reduce revenues further by production cutbacks due to cessation of the mining of deposits or portions of deposits that have become uneconomic at the then-prevailing gold or copper price; (2) halt or delay the development of new projects; (3) reduce funds available for mineral exploration, with the result that depleted mineral reserves are not replaced; (4) reduce the existing mineral reserves where they cannot be economically mined or treated at prevailing prices; and (5) result in the recording of a write-down of mining interests due to the determination that future cash flows would not be expected to recover the carrying value.

The revenues and profitability of Placer Dome also could be affected, to a lesser extent than by the prices of gold and copper, by the price of silver.

## *Placer Dome needs to continually obtain additional mineral reserves for gold production*

Placer Dome must continually replace mineral reserves depleted by production. Depleted mineral reserves must be replaced by doing the work necessary to reclassify known mineral resources to mineral reserves, expanding known orebodies or locating new deposits in order for it to maintain and help grow Placer Dome’s production levels over the long term. Success in exploration for gold is very uncertain and there is a risk that future depletion of mineral reserves will not be offset by discoveries. As a result, the mineral reserve base of Placer Dome may decline as mineral reserves are mined without adequate replacement.

## *Uncertainty of mineral reserve and mineral resource estimates*

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ dramatically from mineral reserve estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar examinations;
- declines in the market price of gold may render the mining of some or all of Placer Dome’s mineral reserves uneconomic;
- increases in operating mining costs and processing costs could adversely affect mineral reserves; and
- the grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral reserves.

Any of these factors may require Placer Dome to reduce its mineral reserve and mineral resource estimates or increase its costs. Short-term factors, such as the need for additional development of a deposit or the processing of new or different grades, may impair Placer Dome’s profitability.

## *Increased costs could affect profitability*

The cash cost of production at any particular mining location is frequently subject to great variation from one year to the next due to a number of factors, such as changing waste-to-ore ratios, ore grade, metallurgy, labour costs, the cost of supplies and services (for example, electricity and fuel) and the exchange rate of the US dollar against currencies of countries where mining operations are located.

Currency fluctuations may affect the costs that Placer Dome incurs at its operations. Gold and copper are sold throughout the world based principally on the US dollar price, but a significant portion of Placer Dome’s operating expenses are incurred in currencies other than the US dollar. The appreciation of non-US dollar currencies against the US dollar increases the costs of gold and copper production in US dollar terms at mines located outside the United States. Conversely, a depreciation of non-US dollar currencies usually decreases the cost of production in US dollar terms in these countries.

Placer Dome has historically reduced its exposure to foreign currency fluctuations by entering into forward sale contracts. There can be no assurance that Placer Dome will continue these forward selling techniques.



*Mining accidents or other adverse events at a mining location could reduce Placer Dome’s production levels*

At any of Placer Dome’s operations, production may fall below historic or estimated levels as a result of mining accidents such as a pit wall failure in an open pit mine, or cave-ins or flooding at underground mines. In addition, production may be unexpectedly reduced at a location if, during the course of mining, unfavourable ground conditions or seismic activity are encountered, ore grades are lower than expected, or the physical or metallurgical characteristics of the ore are less amenable to mining or treatment than expected.

*Mining Risks*

The business of gold mining involves many risks and hazards, including environmental hazards, industrial accidents, labour force disruption, the unavailability of material and equipment, unusual or unexpected rock formations, pit slope failures, changes in the regulatory environment, weather conditions, cave-ins, rockbursts and water conditions. Such occurrences could result in damage to, or destruction of, mineral properties or productions facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, Placer Dome may incur significant costs that could have a material adverse effect upon its financial performance, liquidity and results of operations.

*Environmental Risks*

Placer Dome’s activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. Placer Dome is required to obtain governmental permits and provide other bonding requirements under federal, state or provincial air, water quality and mine reclamation rules and permits. Although Placer Dome makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its obligations for these costs.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that Placer Dome has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect Placer Dome’s business, results of operations or financial condition.

Placer Dome could also be held responsible for the costs to address contamination at current or former facilities or third party sites. Placer Dome could also be held liable for

exposure to such hazardous substances. Placer Dome is involved in various investigative and remedial actions. There can be no assurance that the costs of such actions would not be material.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving in all regions in which Placer Dome conducts its activities. Any changes in such law or in the environmental conditions at Placer Dome’s mines could have a material adverse effect on Placer Dome’s financial condition, liquidity or results of operations. Placer Dome is not able to determine the impact of future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

As mining operations continue to update and clarify their closure plans and as environmental protection laws and administrative policies are changed, Placer Dome will revise the estimate of its total obligations and may be obliged to provide further security for mine reclamation costs. As at December 31, 2002, Placer Dome has estimated its share of reclamation and other post-closure obligations to be incurred for existing and past mining interests to be \$312 million. This is an increase from the estimate of \$236 million in the prior year primarily due to the AurionGold acquisition. The aggregate accrued obligation at December 31, 2002 was \$197 million. For information concerning long-term reclamation provisioning and the impact of a change in accounting policy commencing January 1, 2003, see Item 6 note 1 ‘Reclamation and Closure Costs’ section of the notes to the consolidated financial statements.

*Investment returns for Defined Benefit Pension Plans*

Assets in Placer Dome’s defined benefit pension plans arise through employer contributions and returns on investments made by the plans. Returns on investments made by Placer Dome’s employee defined benefit pension plans are subject to fluctuation. Placer Dome is responsible for funding any shortfall of pension assets compared to pension obligations under its defined benefit pension plans.

**Risks related to Placer Dome’s operations**

In addition to the risks related to the gold mining industry generally, Placer Dome’s operations are also subject to the following risks specific to it:

*Political and Country Risk*

Placer Dome conducts operations in a number of countries, namely Australia, Canada, United States of America, Chile, South Africa and Papua New Guinea. These operations are potentially subject to a number of political, economic and other risks. Placer Dome is not able to determine the impact



of political, economic or other risks on its future financial position, however Placer Dome currently has global political risk insurance (up to a maximum limit of \$400 million) that may mitigate certain adverse financial effects from unfavourable political, economic or other events in certain countries.

Exploration, development and production activities are potentially subject to political, economic and other risks, including:

- cancellation or renegotiation of contracts;
- changes in foreign laws or regulations;
- changes in tax laws;
- royalty and tax increases or claims by governmental entities;
- retroactive tax or royalty claims;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- foreign exchange controls;
- restrictions on the ability of local operating companies to sell gold offshore for US dollars, and on the ability of such companies to hold US dollars or other foreign currencies in offshore bank accounts;
- import and export regulations, including restrictions on the sale of gold offshore in US dollars;
- restrictions on the remittance of dividend and interest payments offshore;
- restrictions on the ability of a foreign company to have management control of a mining operation;
- requirement that a foreign company have a domestic joint venture partner, possibly which the foreign company must subsidize;
- environmental controls and permitting;
- government mandated social expenditures, such as comprehensive health care for HIV/AIDS infected employees and families;
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism; and
- other risks arising out of foreign sovereignty over the areas in which Placer Dome’s operations are conducted.

Such risks could potentially arise in any country in which Placer Dome operates, however the risks are regarded as greater in South Africa and Papua New Guinea.

Consequently, Placer Dome’s exploration, development and production activities may be substantially affected by factors beyond Placer Dome’s control, any of which could materially adversely affect Placer Dome’s financial position or results of operations. Furthermore, in the event of a dispute arising from such activities, Placer Dome may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

In relation to South Africa, a number of economic and social issues exist which increase its political and economic risk. The current government is facing economic and political issues such as employment creation, black economic empowerment & land redistribution, and social issues (such as crime, corruption, and HIV/AIDS) all of which may impact Placer Dome’s South African operations. While the government is adopting measures to address these issues, this political climate increases the risk of the government making changes in the future to its position on issues such as foreign investment, industrial relations, mining concessions and land tenure which in turn may adversely affect Placer Dome’s South African operations.

HIV/AIDS and tuberculosis (which is exacerbated in the presence of HIV/AIDS) are major health care issues faced in South Africa. A portion of Placer Dome’s South African workforce is believed to be infected by the HIV virus. Placer Dome, consistent with its Health and Safety policies, is undertaking a comprehensive HIV/AIDS awareness and prevention program for South Deep employees. It is not possible to determine with certainty the costs that Placer Dome may incur in the future in dealing with this issue, however if the number of infections increase, costs associated with treatment and employee retraining may also increase, affecting profitability.

In relation to Papua New Guinea, the location of the Porgera and Misima gold mines, there is a greater level of political and economic risk compared to some other countries in which Placer Dome operates. For example, open pit operations at the Porgera mine were suspended from August 27, 2002 to October 12, 2002 due to interruptions in the electrical power supply as a result of election related vandalism. There is a risk that social unrest and government intervention could be exacerbated during the mine closure process. The Porgera Mine’s infrastructure including power, water and fuel may be at risk of sabotage. Porgera has extensive community relations and security groups to anticipate and manage social issues that may arise because of the evolving nature of its community.



# Management’s Discussion and Analysis

The Porgera and Misima mines have on a number of occasions experienced delays in the granting of operating permits and licences, necessary for these businesses to conduct their lawful operations. Although there has never been an interruption to operations due to an issue of this nature, if at any time in the future permits essential to lawful operations are not obtained or exemptions not granted, there is a risk that the Porgera and Misima mines may not be able to operate for a period. Future government actions cannot be predicted but may impact on the operation and regulation of mines including Porgera and Misima.

## *Occurrence of events for which Placer Dome is not insured may affect its cash flows and overall profitability*

Placer Dome maintains insurance to protect itself against certain risks related to its operations. Other than the political risk insurance mentioned above, Placer Dome’s insurance coverage includes the following:

- Property (including boiler and machinery) insurance;
- Directors and officers liability insurance;
- Comprehensive general liability insurance;
- Marine cargo insurance.

These coverages are maintained in amounts that are believed to be reasonable depending upon the circumstances surrounding each identified risk. However, Placer Dome may not have insurance for certain risks such as environmental pollution or other hazards against which mining companies cannot insure or against which Placer Dome may elect not to insure because of high premium costs or various other reasons.

Occurrences of events for which Placer Dome is not insured may affect its cash flows and overall profitability.

## *Placer Dome’s business depends on good relations with its employees*

In South Africa, employees at Placer Dome’s South Deep mine are unionized. In the past, labour disruptions at various mines in South Africa have been used to advocate labour, political and social causes. Hence the risk of labour disruptions is considered to be higher at South Deep.

Production at South Deep in the second quarter 2001 was disrupted by a labour dispute that was settled after a 5-day strike. A labour contract between South Deep and South Africa’s National Union of Mineworkers was concluded in August 2001. This agreement remains in effect until the end of June 2003.

## *Placer Dome may not have satisfactory title to its properties*

The validity and ownership of mining property holdings can be uncertain and may be contested. Although Placer Dome has attempted to acquire satisfactory title to its properties, risk exists that some titles, particularly titles to undeveloped properties, may be defective. There are currently a number of pending native title or traditional land owner claims relating to certain of Placer’s properties in Australia. See Government regulation and changes in legislation below for a discussion on South African title issues.

## *Competition for mineral land*

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where Placer Dome contemplates expanding its operations and conducting exploration activities. Many participants are engaged in the mining business, including large, established mining companies. Accordingly, there can be no assurance that Placer Dome will be able to compete successfully for new mining properties.

## *Uncertainty of exploration and development programs*

Placer Dome’s profitability is significantly affected by the costs and results of its exploration and development programs. As mines have limited lives based on proven and probable mineral reserves, Placer Dome actively seeks to replace and expand its mineral reserves, primarily through exploration and development and, in the future, intends to do so through strategic acquisitions as well. Exploration for minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change. Accordingly, Placer Dome’s exploration and development programs may not result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves. In the event that new mineral reserves are not discovered, Placer Dome may not be able to sustain production beyond the current mine lives, based on current production rates.



## *Government regulation and changes in legislation*

In the United States, much of Placer Dome’s mineral reserves and operations occur on unpatented lode mining claims and mill sites that are on federal lands pursuant to the federal mining laws. There are numerous federal regulatory developments that could restrict mine expansions and significantly increase regulatory obligations and compliance costs with respect to exploration, mine development, mine operations and closure. Placer Dome is not able to determine the impact of such mining-related regulatory developments on its future financial position. (See note 18(e) of the consolidated financial statements for further information)

On October 10, 2002, the Mineral and Petroleum Resources Development Act No. 28, 2002 (the “Act”) was promulgated into law by publication in the South African Government Gazette. The Act will come into operation on a date fixed by the President by proclamation. It is expected that commencement of the Act will not be proclaimed until the related instruments (including regulations and the Charter and money bill discussed below) have been introduced, finalized and brought into operation.

The Act provides for state custodianship of mineral resources and the government becomes the grantor of prospecting, mining, exploration as well as production rights. Holders of old-order mining rights will have five years to lodge their rights for conversion into new mining rights in terms of the Act. The conversion requirements are set out in the Act. Old order mining rights will continue in force during the conversion period.

The Act calls for the development of a broad-based socio-economic empowerment Charter (the “Charter”) that will set out the framework, targets and time-table for increasing the participation of historically disadvantaged South Africans (“HDSAs”) in the mining industry, and enhancing the benefits to HDSAs from the exploitation of mining and mineral resources. On October 11, 2002, the South African government released the draft of the Charter and on February 18, 2003 the government released an appendix to the Charter known as the Scorecard, which is designed to facilitate the application of the Charter in terms of the requirements for conversion of old order mining rights under the Act. The Charter is based on seven key principles, of which five are operationally oriented and cover areas focused on bettering conditions for HDSAs, and two of which are focused on HDSA ownership targets and beneficiation. The Charter contains targets to increase HDSA ownership of South African mining industry assets to 26% over 10 years. The government has indicated an interim target of 15% over 5 years. The Charter states that the transfer of ownership in the industry must

take place in a transparent manner and for fair market value. It also states that the South African mining industry will assist HDSA companies in securing financing to fund participation, in the amount of 100 billion rand within the first five years. The Charter does not specify the nature of the assistance to be provided.

The five operational focus areas of the Charter include human resource development; employment equity including HDSA participation in management and participation by women; HDSA participation in procurement; improved housing and living conditions for mine employees; and community and rural development.

The Act also allows for the payment by mining rights holders of a state royalty to be prescribed in a separate money bill. To date, no such money bill has been introduced in Parliament or released for public comment.

At present, the financial implications of various pieces of the new legislation cannot be assessed, therefore Placer Dome is not in a position to quantify either the increase in costs or the other impacts of the proposed royalty and Charter targets on operations at South Deep. Depending on the final provisions of the new legislation, there is a possibility of a material increase in costs to the operations at South Deep. Placer Dome will continue to monitor closely the progress of the Act and related instruments and assess their impact on current operations and future development at South Deep.

## *Joint ventures*

Certain of the properties in which Placer Dome has an interest are operated through joint ventures with other mining companies. Any failure of such other companies to meet their obligations to Placer Dome or to third parties could have a material adverse effect on the joint ventures. In addition, Placer Dome may be unable to exert control over strategic decisions made in respect of such properties.

## *Licenses and permits*

The operations of Placer Dome require licenses and permits from various governmental authorities. Placer Dome believes that it holds all necessary licenses and permits under applicable laws and regulations and believes that it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that Placer Dome will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.



*Risks of acquisitions*

Placer Dome undertakes evaluations of opportunities to acquire additional gold mining assets and businesses. Any resultant acquisitions may be significant in size, may change the scale of Placer Dome’s business, and may expose Placer Dome to new geographic, political, operating, financial and geological risks. Placer Dome’s success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms and integrate their operations successfully with those of Placer Dome. Any acquisitions would be accompanied by risks, such as a significant decline in the gold price, the ore body proving to be below expectations, the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Placer Dome’s ongoing business; the inability of management to maximize the financial and strategic position of Placer Dome through the successful integration of acquired assets and businesses; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential unknown liabilities associated with acquired assets and businesses. In addition, Placer Dome may need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Placer Dome to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that Placer Dome would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

*Risks associated with the use of forward sale and derivative instruments*

Placer Dome has historically reduced its exposure to gold and other metal price fluctuations by entering into forward sale and financial derivative contracts. There can be no assurance that Placer Dome will continue the forward selling techniques successfully used, or any other forward selling techniques, or that, if they are continued, that Placer Dome will be able to achieve in the future realized prices for gold produced in excess of average London PM fix prices as a result of its forward selling activities.

If the gold price rises above the price at which future production has been committed under Placer Dome’s hedge instruments, Placer Dome will have an opportunity loss. However, if the gold price falls below that committed price, revenues will be protected to the extent of such committed production. In addition, Placer Dome could be exposed to

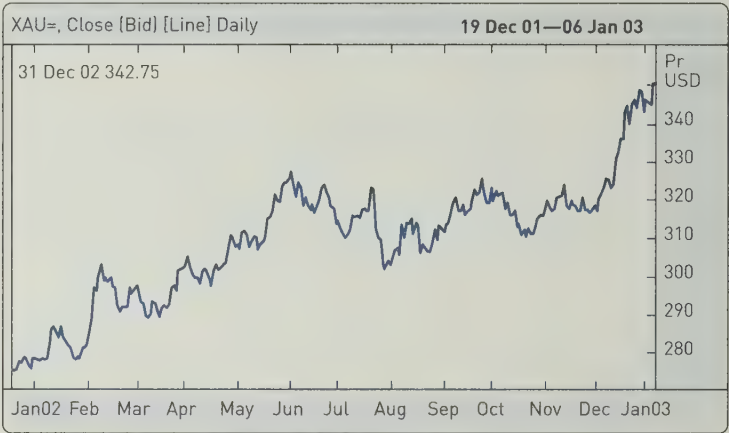
a loss of value if a counterparty to a hedge or forward sale contract defaults on its primary obligations under the instrument.

*For other discussions on commitments and contingencies, see note 18 of the consolidated financial statements.*

7. Markets

Gold

The price of gold averaged \$310 per ounce for 2002, its best annual performance since 1997. In the fourth quarter gold rallied to a high of \$349 per ounce, with a closing London AM fix of \$343. The average spot price for the quarter was \$322 per ounce. The trend in the gold market for 2002 was marked by an increase in volatility caused partly by a decrease in market liquidity. The key factors affecting the gold market included weakness in the US dollar, coupled with political tension in Iraq and North Korea, equity market declines and an absence of producer hedging all of which increases investment demand for gold.

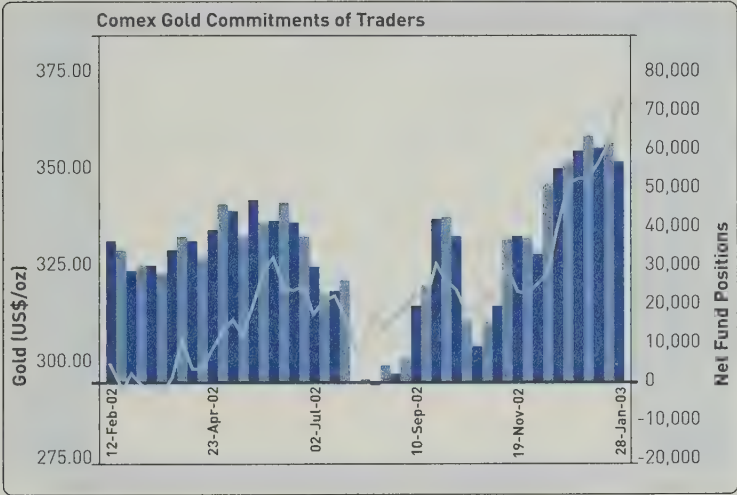


The de-hedging by producers led to both a reduction in new hedges as well as the purchase of gold by producers in the spot market to close out positions.

In the fourth quarter, the gold price was influenced by the conflict over Iraq, dollar weakness and risk in capital markets. With the collapse of equity markets, gold market sentiment was buoyed by expectations of an expansion of the supply of money (monetary reflation) in response to the risk of prolonged economic malaise and asset deflation. In the past, such “post bubble” periods have been accompanied by monetary reflation—printing excess money—thereby devaluing currencies; producing very low or negative real interest rates in order to encourage demand and consumption rather than savings. This produces a positive macro environment for gold that could last until economic recovery is clearly underway, capital markets risk is reduced and monetary policy tightens in response to renewed inflation expectations.



Investor interest returned to the gold market in 2002. Specifically, the return of investor and speculator interest in the metal, particularly in the New York and Tokyo markets provided a strong base of support for gold during the year. The chart below shows the open interest position on the New York Comex market since February 12, 2002. The Chart indicates there has been an increased interest by investors evidenced by the large long positions established during the year. However, this interest has not translated into an increase in physical demand for gold.



Gold jewellery, which accounts for 80% of the total demand, is highly sensitive to price movements and, in particular, prone to a sharp decline when prices rise. For example, in 1993 world jewellery fabrication slumped by 7-8% as the average price rose 5% and as prices jumped 25% trough-to-peak. In 2001, as the average USD gold price fell 3%, demand dropped by a similar percentage. Although economic weakness played its part, the explanation of the decline was also due to the three price spikes during the year and firmer prices in other currencies. Demand in other areas has also fallen. Industrial gold demand has decreased since 2000. Increases in new coin sales in 2002 were primarily due to commemorative issues by Germany. The level of coin sales in 2002 is at about one half the levels of the late 1990s. Bar hoarding appears to have further increased in 2002 with much of the increase accounted for by Japan early in the year.

Copper

Copper prices moved in a sideways pattern throughout 2002 with prices ranging from 64.5 cents per pound to 76.6 cents per pound. The average price for 2002 was 70.7 cents per pound and the closing price for the year was 69.7 cents per pound.

Copper stocks in LME registered warehouses remained at traditionally high levels, setting an all-time high in May 2002 before trending down. The downtrend was consistent with producer production cut-backs announced in late 2001 and early 2002 taking hold.

8. Outlook

Overview

Placer Dome’s share of gold and copper production in 2003 is targeted at approximately 3.5 million ounces and 400 million pounds, respectively. Cash and total production costs for gold are estimated to be around \$195 and \$255 per ounce, respectively. Amortization of the fair value allocation of the AurionGold purchase price is responsible for \$11 of the forecast \$25 per ounce increase in total production costs from 2002.

During August 2002, the Special Lease Agreement (“SLA”) for the Pueblo Viejo Project was ratified by the lower house of Congress of the Dominican Republic. During the new Congressional session, Congress is expected to ratify an amendment to the Mining Law. The process to approve the amendment to Article 19 of the Mining Law continues to be closely monitored by Placer Dome since this represents the final step to achieve approval of the SLA. With the Congressional ratification of the SLA, Placer Dome Inc. has begun its feasibility study on the Pueblo Viejo gold deposit, anticipated to be an expenditure of \$10 million. The majority of these funds will be spent by the end of 2003.

On February 11, 2003, Placer Dome announced that it had exercised its option to become joint venture manager and earn an additional 40% interest, for a total of 70%, in the Donlin Creek project from NovaGold Resources Inc. Placer Dome can vest its additional 40% if it expends a minimum of \$30 million, completes a feasibility study and makes a decision to construct a mine on the property at a production rate of not less than 600,000 ounces of gold per year by November 13, 2007. If Placer Dome chooses not to complete its earn-in, joint venture management would revert to NovaGold and Placer Dome retains its 30% participating interest. The emphasis this year will be to complete the new joint-venture mineral resource estimates and to develop plans to address the project’s infrastructure needs as part of the pre-feasibility study currently underway.

In 2003, Placer Dome’s share of capital expenditures are anticipated to be about \$220 million, including \$48 million at South Deep for the shaft and underground development, \$33 million at Zaldívar for processing enhancements, mine development and equipment, \$26 million at Porgera for development, \$21 million at Granny Smith primarily for mine development, \$18 million at Kalgoorlie West for development and equipment upgrade and \$16 million at Campbell primarily for underground development. Exploration expenditures in 2003 will be approximately \$60 million with \$36 million allocated to mine sites. Placer Dome also plans to spend approximately \$10 million on research, development and technology advancement.



# Management’s Discussion and Analysis

In 2003, Placer Dome will reduce its committed ounce position of its precious metals sales program by at least one million ounces of gold by delivering into contracts and closing out positions as quickly and opportunistically as market conditions allow.

The sensitivity of annual net earnings to key price increases based on metal prices of \$300 per ounce for gold, \$4.75 per ounce for silver and \$0.75 per pound for copper and projected 2003 sales volumes is estimated as follows:

	Price change	Change in net earnings (millions of \$)	Change in net earnings per share
Gold	\$ 25.00/oz.	\$ 43	\$ 0.11
Silver	0.50/oz.	2	—
Copper	0.05/lb.	12	0.03

The sensitivity of annual net earnings to foreign exchange fluctuations with respect to mine operating costs of the Australian dollar, the Chilean peso, the Canadian dollar, the South African rand and the Papua New Guinean kina to the United States dollar for projected 2003 sales volumes is estimated as follows:

	Exchange Fluctuation		Change in net earnings (millions of \$)	Change in net earnings per share
	December 31, 2002	%		
Australian dollar	1.7649	10%	\$ 12	\$ 0.03
Chilean peso	720	10%	6	0.01
Canadian dollar	1.5796	10%	4	0.01
South African rand	8.58	10%	2	—
Papua New Guinean kina	4.0	10%	1	—

## Taxation

Placer Dome’s profitability is dependent to a considerable extent on the level of taxation. The following table summarizes expected 2003 effective tax rates based on tax laws enacted as at December 31, 2002 for mining earnings in the principal jurisdictions in which operations are located. The tax bases for mining taxes and royalties and withholding taxes differ from the tax bases for income taxes, so that the effective overall tax rates are not necessarily the sum of the various tax rates in each jurisdiction.

	Income tax	Mining tax or royalty	Withholding tax	Effective overall tax rate to Placer Dome
<b>Canada</b>				
Ontario	29.6% <sup>(ii)</sup>	10.2% <sup>(iii)</sup>	—	39.8%
<b>United States</b>				
Montana	20.0% <sup>(iii)</sup>	0.9%	5.0%	24.0% <sup>(iii)</sup>
Nevada	20.0% <sup>(iii)</sup>	5.0%	5.0%	24.0% <sup>(iii)</sup>
<b>Australia</b>				
Queensland	30.0%	2.2% <sup>(iv)</sup>	—	30.0% <sup>(v)</sup>
Western Australia	30.0%	2.5% <sup>(vi)</sup>	—	30.0% <sup>(v)</sup>
Tasmania	30.0%	1%/10% <sup>(vii)</sup>	—	30.0% <sup>(v)</sup>
<b>Papua New Guinea</b>	30.0%	2.0% <sup>(viii)</sup>	10.0%	37.0% <sup>(v)</sup>
<b>Chile</b>	16.5%	—	18.5%	35.0% <sup>(xi)</sup>
<b>South Africa</b>	38.0% <sup>(x)</sup>	—	—	38.0%

- (i) The rate consists of the Canadian federal rate, including surtax, reduced by the resource allowance, plus the provincial rate, reduced by the resource allowance and manufacturing and processing credit.
- (ii) The effective Ontario mining tax rate includes the processing allowance. The statutory mining tax rate was reduced to 12% effective January 1, 2003, and will be further reduced to 10% for 2004.
- (iii) The effective income tax rate for US operations is the Alternative Minimum Tax ("AMT") rate, since existing tax attributes will offset any regular tax liability in excess of AMT. The effective rate for Nevada and Montana does not include the mining tax, which is based on gross proceeds in Montana and net proceeds in Nevada. No Montana state income tax has been included in the effective income tax rate as a result of sufficient tax losses which offset projected income apportionable to the state. Nevada imposes no corporate income tax.
- (iv) Royalty on revenue received, less an allowance for freight and insurance. The royalty rate varies based on gold and copper prices and the US to Australian dollar exchange rate. During 2002, it varied from 1.9% to 2.9%.
- (v) The effective tax rate excludes the royalty that is imposed on metal sold.
- (vi) Royalty on gross invoice value, less an allowance for packaging and transport. A rate of 2.5% applies, unless the average gold spot price for a quarter is less than \$450 Australian dollars per ounce, in which case the rate charged on gold produced in that particular quarter is 1.25%.
- (vii) The Mount Julia-Darwin areas of the Henty mine incur a gross metal royalty of 1% and the other areas of production incur a 10% royalty.
- (viii) Gross sales tax on metal sold. The 2% is an allowable tax deduction. Papua New Guinea value added tax legislation came into effect from July 1, 1999 and was accompanied by a reduction in customs duty. A 4% mining levy (on assessable income from mining operations) also came into effect from July 1, 1999. The mining levy (which is tax deductible) had been introduced as a result of the zero-rating of the mining sector for Value Added Tax ("VAT") purposes and to compensate the government for the loss of customs duty revenue. The levy was reduced to 3% effective January 1, 2002, and was to be further reduced and completely phased out by 2005. However, the 2003 National Budget announced the phase out was cancelled and the 3% levy to remain.
- (ix) The First Category Tax increases to 16.5% effective January 1, 2003 and will increase to 17% for 2004 and thereafter. The Second Category Tax is withheld upon the repatriation of earnings from Chile, and decreases to 18.5% effective January 1, 2003 for profits earned 2003, and will decrease to 18% effective January 1, 2004 for profits earned in 2004 and thereafter. The net effect of these changes continues to provide an overall effective corporate tax rate of 35%.
- (x) Income taxes on gold mining income are formula based in the Republic of South Africa and therefore sensitive to the profitability of the mine. Gold mining companies may elect on initial filing to use one of two formulas, one subject to a secondary distribution tax ("STC") and the other which is not subject to STC. Placer Dome has elected the latter alternative. The income tax rate disclosed is the estimated weighted average tax rate over the life of the South Deep Mine. The rate was re-calculated in 2002, using data and economic assumptions from the 2002 South Deep Mine Plan.



## Notes to the Production and Operating Summary on page 31:

- (1) Mine operating earnings represent 100% of the results of mines owned by the Corporation and its subsidiaries and a pro-rata share of joint ventures. "Consolidated mine operating earnings", (and the related sub-totals), in accordance with accounting principles generally accepted in the United States, exclude the pro-rata share of La Coipa, a non-controlled incorporated joint venture. Mine operating earnings comprises sale, at the spot price, less cost of sales including reclamation costs, depreciation and depletion for each mine, in millions of United States dollars.
- (2) Calculated in accordance with the Gold Institute Standard. Total cash production costs includes direct mining expenses, stripping and mine development adjustments, third party smelting, refining and transportation costs, by-product credits, royalties and production taxes. Total production costs comprises total cash production cost plus depreciation, depletion and reclamation provisions.
- (3) Placer Dome completed an agreement with Kinross to form the Porcupine Joint Venture that would combine the operations of Dome Mine with certain operations of Kinross effective July 1, 2002. The 2002 Dome Mine reflects the results for the first six months to June 30, 2002, and the Porcupine Mine reflects 51% of the combined operation from July 1, 2002 onward. See the Financial Results of Operations section, under Canada, of the Management's Discussion & Analysis for more information.
- (4) In 2002, included in Cortez gold production is 44,029 ounces (2001—66,763 ounces) related to the sale of carbonaceous ore.
- (5) Production from the Getchell Mine relates to third party ore sale.
- (6) Silver is a by-product at the Misima Mine. At Misima, grade, recovery and Placer Dome's share of production for silver were 10.2 grams of silver per tonne 37.0% and 574,400 ounces, respectively, for 2002 and 9.6 grams of silver per tonne, 37.9% and 522,400 ounces, respectively, for 2001.
- (7) On October 22, 2002, Placer Dome gained control of AurionGold Limited. This increases the company's ownership in Granny Smith Mine to 100% and Porgera Mine to 75% from 60% and 50% respectively as well as adding Henty, Kalgoorlie West and Kanowna Belle mines to the company's holdings. The additional 40% of Granny Smith and 25% of Porgera acquired contributed 30,689 ounces and 47,864 ounces, respectively in November and December, 2002. The 2003 production forecast and unit cost estimates for the Henty, Kalgoorlie West and Kanowna Belle mines are based on the mining plans developed by AurionGold prior to its acquisition by Placer Dome and are potentially subject to revision when Placer Dome completes its own strategic business plan for each of the sites.
- (8) The Kidston Mine was closed in July 2001 due to the depletion of ore.
- (9) Osborne produces copper concentrate with gold as a by-product. Therefore, gold unit costs are not applicable.
- (10) Gold and silver are accounted for as co-products at La Coipa Mine. Gold equivalent ounces are calculated using a ratio of the silver market price to gold market price for purposes of calculating costs per equivalent ounce of gold. The equivalent ounces of gold produced at La Coipa were 149,285 ounces for 2002, and 155,916 ounces for 2001. At La Coipa (50%), grade, recovery and production for silver were, 58.3 grams of silver per tonne, 60.5% and 3,595,000 ounces, respectively, for 2002 and 90.1 grams of silver per tonne, 65.9% and 6,060,000 ounces, respectively, for 2001.
- (11) Estimated 2003 annual unit costs for the South Deep mine are based on a rand to US dollar exchange rate of 10:1, any change from this would have an impact on the unit costs. At December 31, 2002 this exchange rate was approximately 8.6:1.
- (12) Recovery percentage for the Zaldívar mine relates to the heap leach operations. Including the dump leach operations, the average recovery percentage for 2002 was 77.0% (2001—64.5%).



Management’s Responsibility for Financial Reporting

To the Shareholders of Placer Dome Inc.:

The consolidated financial statements and all information in the annual report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States. Financial information presented throughout the annual report is consistent with the data presented in the consolidated financial statements.

A system of internal accounting and administrative controls is maintained by management in order to provide reasonable assurance that the financial information is accurate and reliable. The internal audit department of the Corporation conducts an ongoing program of review and evaluation of these controls and regularly reports on its findings to management and the Audit Committee.

The Audit Committee of the Board of Directors is composed of four outside Directors, and meets with management, the internal auditors and the independent auditors to assure

that management is maintaining adequate financial controls and systems to approve the annual and quarterly consolidated financial statements of the Corporation. Both the internal auditors and independent auditors have unrestricted access to the Audit Committee.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Accountants, who were appointed by the shareholders. The auditors’ report outlines the scope of their examination and their opinion on the consolidated financial statements.

JAY K. TAYLOR  
President and  
Chief Executive Officer

REX J. MCLENNAN  
Executive Vice-President and  
Chief Financial Officer

February 19, 2003  
Vancouver Canada

Report of Independent Chartered Accountants

To the Shareholders of Placer Dome Inc.:

We have audited the consolidated balance sheets of Placer Dome Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings (loss), shareholders’ equity, and cash flows for each of the years in the three year period ended December 31, 2002. These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

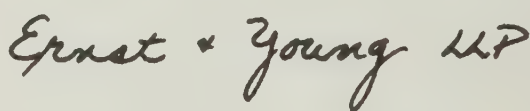
We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Placer Dome Inc. as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the

years in the three year period ended December 31, 2002 in accordance with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, during 2002, the Corporation changed its policy on accounting for depreciation and depletion of property, plant and equipment to exclude future estimated mining and development costs. During 2001, the Corporation changed its policies on accounting for derivative instruments and hedging activities and its policies on accounting for certain stock options with exercise prices denominated in other than the Corporation’s functional currency. During 2000, the Corporation changed its policy on revenue recognition for gold sales.

On February 19, 2003, we reported separately to the shareholders of Placer Dome Inc. on the financial statements for the same periods, prepared in accordance with Canadian generally accepted accounting principles.



Vancouver, Canada  
February 19, 2003

Chartered Accountants



Consolidated Statements of Earnings (Loss)

(millions of United States dollars, except share and per share amounts, US GAAP)

Years ended December 31	2002	2001	2000
Sales (note 4)	\$ 1,209	\$ 1,223	\$ 1,413
Cost of sales	698	705	727
Depreciation and depletion (note 4(b))	187	182	244
<b>Mine operating earnings</b> (note 4(b))	324	336	442
General and administrative	40	41	43
Exploration	52	44	56
Resource development, technology and other	55	56	55
Write-downs of mining interests (note 5)	—	301	377
<b>Operating earnings (loss)</b>	177	(106)	(89)
Non-hedge derivative gains (losses) (note 6)	3	(29)	(37)
Investment and other business income (note 7)	39	42	122
Interest and financing expense (note 14(b))	(66)	(70)	(75)
<b>Earnings (loss) before taxes and other items</b>	153	(163)	(79)
Income and resource tax recovery (provision) (note 8)	(34)	36	6
Equity in earnings (loss) of associates	5	(1)	(4)
Minority interests	—	(5)	2
<b>Net earnings (loss) before the cumulative effect of change in accounting policy</b>	124	(133)	(75)
Changes in accounting policies (notes 2(a) and (e))	(8)	—	(17)
<b>Net earnings (loss)</b>	\$ 116	\$ (133)	\$ (92)
<b>Comprehensive income (loss)</b>	\$ 114	\$ (153)	\$ (95)
<b>Per common share</b>			
Net earnings (loss) before the cumulative effect of changes in accounting policies	\$ 0.35	\$ (0.41)	\$ (0.23)
Net earnings (loss)	\$ 0.33	\$ (0.41)	\$ (0.28)
Diluted net earnings (loss)	\$ 0.33	\$ (0.41)	\$ (0.28)
Dividends	\$ 0.10	\$ 0.10	\$ 0.10
<b>Weighted average number of common shares outstanding (millions)</b>			
Basic	349.4	327.9	327.6
Diluted	350.4	327.9	327.6

(See accompanying notes to consolidated financial statements)



Consolidated Financial Statements

Consolidated Balance Sheets

(millions of United States dollars, US GAAP)

Assets

December 31	2002	2001
<b>Current assets</b>		
Cash and cash equivalents	\$ 537	\$ 433
Short-term investments	7	6
Accounts receivable	99	95
Income and resource tax assets	10	7
Inventories (note 9)	202	160
	855	701
<b>Investments</b> (note 10)	53	58
<b>Goodwill</b> (note 3(a))	200	—
<b>Other assets</b> (note 11)	154	145
<b>Income and resource tax assets</b> (note 8(e))	28	24
<b>Property, plant and equipment</b> (note 12)	2,695	1,683
	\$ 3,985	\$ 2,611

Liabilities and Shareholders' Equity

December 31	2002	2001
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 13)	\$ 194	\$ 140
Short-term debt	—	2
Income and resource tax liabilities	37	25
Current portion of long-term debt and capital leases (note 14)	340	35
	571	202
<b>Long-term debt and capital leases</b> (note 14)	607	807
<b>Deferred commodity and currency derivatives</b>	212	26
<b>Deferred credits and other liabilities</b> (note 15)	241	166
<b>Income and resource tax liabilities</b> (note 8(e))	195	67
<b>Commitments and contingencies</b> (notes 17 and 18)		
<b>Shareholders' equity</b>		
Share capital (note 16)	1,992	1,259
Preferred shares—unlimited shares authorized, no par value, none issued		
Common shares—unlimited shares authorized, no par value, issued and outstanding 408,741,574 shares (2001—328,608,666 shares)		
Retained earnings	157	75
Accumulated other comprehensive income	(50)	(48)
Contributed surplus	60	57
Total shareholders' equity	2,159	1,343
	\$ 3,985	\$ 2,611

(See accompanying notes to consolidated financial statements)



ROBERT M. FRANKLIN  
Director



JAY K. TAYLOR  
Director



Consolidated Statements of Shareholders' Equity

(millions of United States dollars, US GAAP)

	2002	2001	2000
Common shares, opening	\$ 1,259	\$ 1,248	\$ 1,247
Issued in acquisition of AurionGold Limited (note 3(a))	710	—	—
Exercise of options	23	11	1
<b>Common shares, closing</b>	<b>1,992</b>	<b>1,259</b>	<b>1,248</b>
Accumulated other comprehensive income, opening	(48)	(28)	(25)
Unrealized gains (losses) on securities	5	—	(3)
Cumulative translation adjustment	—	(21)	—
Unrealized gains of derivatives	3	1	—
Minimum pension liability adjustment	(10)	—	—
<b>Accumulated other comprehensive income, closing</b>	<b>(50)</b>	<b>(48)</b>	<b>(28)</b>
Contributed surplus, opening	57	52	52
Stock-based compensation	3	5	—
<b>Contributed surplus</b>	<b>60</b>	<b>57</b>	<b>52</b>
Retained earnings, opening	75	241	365
Net earnings (loss)	116	(133)	(92)
Common share dividends	(34)	(33)	(32)
<b>Retained earnings, closing</b>	<b>157</b>	<b>75</b>	<b>241</b>
<b>Shareholders' equity</b>	<b>\$ 2,159</b>	<b>\$ 1,343</b>	<b>\$ 1,513</b>

(See accompanying notes to consolidated financial statements)



# Consolidated Financial Statements

## Consolidated Statements of Cash Flows

(millions of United States dollars, US GAAP)

Years ended December 31	2002	2001	2000
<b>Operating activities</b>			
Net earnings (loss)	\$ 116	\$ (133)	\$ (92)
Depreciation and depletion	187	182	244
Amortization of stripping (note 2(b))	36	54	42
Deferred stripping	(19)	(30)	(47)
Deferred income and resource taxes	8	(59)	(47)
Deferred reclamation	12	(11)	12
Equity earnings and dividends	10	8	17
Deferred commodity and currency derivatives	(14)	(7)	9
Investment gains	(9)	(2)	(86)
Unrealized (gains) losses on derivatives	(11)	11	(25)
Write-downs of mining interests	—	301	377
Cumulative translation adjustment	—	(21)	—
Minority interest	—	5	(2)
Change in accounting policy	8	—	17
Other items, net	11	18	12
Change in non-cash operating working capital (note 20(a))	(15)	24	(88)
Cash from operations	320	340	343
<b>Investing activities</b>			
Property, plant and equipment (note 12(b))	(127)	(192)	(142)
Business acquisitions, net of cash acquired (note 3(a))	(47)	—	—
Short-term investments	(1)	3	4
Disposition of assets and investments	17	8	17
Other, net	4	4	14
	(154)	(177)	(107)
<b>Financing activities</b>			
Short-term debt	(2)	2	(31)
Long-term debt and capital leases			
Borrowings	2	2	—
Repayments	(34)	(38)	(31)
Redemption of minority interest	(5)	—	—
Common shares issued	23	11	1
Dividends paid			
Common shares	(34)	(33)	(33)
Minority interests	(12)	(5)	(2)
	(62)	(61)	(96)
<b>Increase in cash and cash equivalents</b>	104	102	140
<b>Cash and cash equivalents</b>			
Beginning of year	433	331	191
End of year	\$ 537	\$ 433	\$ 331

(See accompanying notes to consolidated financial statements)



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 1. Nature of Operations and Summary of Significant Accounting Policies

Placer Dome Inc. ("the Corporation"), and subsidiary companies and joint ventures (collectively, "Placer Dome") are engaged in gold mining and related activities, including exploration, extraction, processing, refining and reclamation. Gold, Placer Dome's primary product, is produced in Canada, the United States ("US"), Australia, Papua New Guinea, South Africa and Chile, and sold to the world market. Placer Dome also produces and sells significant quantities of copper.

Placer Dome's cash flow and profitability is dependent primarily on the quantity of metals produced, metal prices, operating costs, environmental costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, technology, resource development and general and administrative. Since Placer Dome operates internationally, exposure also arises from fluctuations in currency exchange rates, political risk and varying levels of taxation. While Placer Dome seeks to manage these risks, many of these factors are beyond its control.

The US dollar is the principal currency of measure of all Placer Dome's operations. The Corporation prepares and files its consolidated financial statements in US dollars and in accordance with US generally accepted accounting principles ("GAAP"). The consolidated financial statements in accordance with Canadian GAAP (in US dollars) are included in the Management Proxy Circular and Statement and filed with various Canadian regulatory authorities. Significant differences in the Corporation's consolidated statement of net earnings between US and Canadian GAAP are described in note 20(d) to these financial statements.

The significant accounting policies used in these US GAAP consolidated financial statements are as follows:

### Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries and a proportionate share of the accounts of unincorporated joint ventures in which Placer Dome has an interest.

The following table sets forth the Corporation's indirect ownership of its mining interests:

	December 31, 2002	December 31, 2001
<b>Through majority owned subsidiaries</b>		
Bald Mountain	100%	100%
Campbell	100%	100%
Dome (note 3(b))	n/a	100%
Getchell	100%	100%
Golden Sunlight	100%	100%
Granny Smith (note 3(a))	100%	n/a
Henty (note 3(a))	100%	—
Kalgoorlie West (note 3(a))	100%	—
Kanowna Belle (note 3(a))	100%	—
Kidston <sup>(i)</sup>	70%	70%
Misima	80%	80%
Osborne	100%	100%
Zaldívar	100%	100%
<b>As interests in unincorporated joint ventures</b>		
Cortez	60%	60%
Granny Smith (note 3(a))	n/a	60%
Musselwhite	68%	68%
Porcupine (note 3(b))	51%	n/a
Porgera (note 3(a))	75%	50%
South Deep	50%	50%
<b>Equity Accounted for investment</b>		
La Coipa	50%	50%

(i) The Kidston Mine ceased operations in July 2001 due to the depletion of ore.

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the Corporation's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

### Revenue Recognition

Gold revenue is recognized in the accounts upon delivery when title passes.

Copper revenue is recognized on shipment of the product when title passes. Sales of copper concentrate are based on specific sales agreements and may be subject to adjustment upon final settlement following sales quotational periods. Such adjustments to revenue are recorded in the period of final settlement.

Gains and losses realized on forward sales contracts and certain derivative financial instruments used to mitigate metal price risk are recognized in sales revenue on the original designation date.



December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

1. **Nature of Operations and Summary of Significant Accounting Policies, Continued**

**Derivatives and Hedging Activities**

Placer Dome employs metals and currency contracts, including forward contracts, cap agreements and options to manage exposure to fluctuations in metal prices and foreign currency exchange rates. For metals production, these contracts are intended to reduce the risk of falling prices on Placer Dome's future sales, and, in the case of purchased options, allow Placer Dome to benefit from higher precious metal and copper prices. Foreign currency derivative financial instruments, such as forward contracts and options, are used to manage the effects of exchange rate changes on foreign currency cost exposures.

On January 1, 2001, Placer Dome adopted US Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and its companion policy SFAS 138 which establish accounting and reporting standards for derivative instruments.

Of Placer Dome's metals program, the majority relate to gold and silver metal forward contracts and cap agreements that are exempt from SFAS 133 as normal course sales requiring settlements through physical delivery. Gains and losses on these instruments are recognized in sales revenue on the delivery date identified at the contract inception. Copper forward contracts, which prior to 2001 were recognized only when realized, are accounted for as cash flow hedges with the change in fair values recorded each period in other comprehensive income ("OCI") and subsequently reclassified to sales revenue on the contract forward date. All other metals financial instruments are recognized on the balance sheet at fair value with the change in values recorded each period in earnings as non-hedge derivative gains (losses).

Foreign currency derivative contracts that are designated against specific operating costs or capital expenditures are accounted for as cash flow hedges with the change in fair values recorded each period in OCI and subsequently reclassified to cost of sales or property, plant and equipment on the contract expiry date. Foreign currency forward and option contracts used for managing non-specific foreign production cost exposures are recorded at fair value with the change in values recorded each period in earnings as non-hedge derivative gains (losses). Prior to 2001, foreign currency financial instruments were recognized on the balance sheet at fair value with the changes in values recorded each period in earnings as non-hedge derivative gains (losses).

All other derivatives and hedging activities are in accordance with SFAS 133 which requires recognition of all derivative instruments on the balance sheet as either assets or liabilities with measurement at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the intent and nature of the derivative instruments and whether they qualify for hedge accounting as defined in SFAS 133 (note 2 (c)).

**Reclamation and Closure Costs**

Expenditures related to ongoing environmental activities are charged against earnings as incurred. Estimated reclamation and closure costs, including site rehabilitation and long-term treatment and monitoring costs, are accrued by annual charges to earnings over the estimated life of the mine. These estimates are based principally on legal and regulatory requirements. It is possible that Placer Dome's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively in earnings from the period the estimate is revised.

In June 2001, the FASB issued SFAS 143, "*Accounting for Asset Retirement Obligations*". SFAS 143, which comes into effect for fiscal years beginning after June 15, 2002, requires that the fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset (where one is identifiable) will be recorded and will be depreciated over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability will be subject to re-measurement at each reporting period. This differs from the current practice which involves accruing for the estimated reclamation and closure liability through annual charges to earnings over the estimated life of the mine. Placer Dome will adopt the new policy on January 1, 2003. The cumulative effect of the change in policy on the balance sheet at that date is to increase Property, plant and equipment by \$9 million and increase Deferred credits and other liabilities by \$29 million with a one time after-tax charge to net earnings of \$15 million in the first quarter of 2003.

**Foreign Currency Translation**

For each entity, transaction amounts denominated in foreign currencies (currencies other than US dollars) are translated into US dollars at exchange rates prevailing at the transaction dates. Carrying values of non-US dollar monetary assets and liabilities are adjusted at each



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

balance sheet date to reflect the US exchange rate prevailing at that date. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each period end are included in earnings.

The cumulative translation adjustment ("CTA") within Accumulated OCI relates to the CTA balance of the Corporation prior to its adoption of the US dollar, in 1997, as the principal currency of measure for all operations. Earnings adjustments to the CTA balance are recorded on the substantial disposition or liquidation of a mine property or investment.

### Exploration and Development

Exploration costs are charged against earnings as incurred. Significant costs related to property acquisitions including undeveloped mineral interests are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

### Capitalization of Financing Costs

Financing costs, including interest, are capitalized when they arise from indebtedness incurred, directly or indirectly, to finance development and construction activities on properties that are not yet subject to depreciation or depletion. Financing costs are charged against earnings from the time that mining operations commence.

### Income and Resource Taxes

The provision for income and resource taxes is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statements carrying amounts and the tax bases of certain assets and liabilities. The Corporation records a valuation allowance against any portion of those

deferred income tax assets that management believes will, more likely than not, fail to be realized. On business acquisitions, where differences between assigned values and tax bases of assets acquired (other than non-tax deductible goodwill) and liabilities assumed exist, the Corporation recognizes the deferred tax assets and liabilities for the tax effects of such differences. Deferred withholding taxes are provided on the unremitted net earnings of foreign subsidiaries and associates to the extent that dividends or other repatriations are anticipated in the future and will be subject to such taxes.

### Net Earnings and Dividends per Common Share

The calculations of net earnings and dividends per common share are based upon the weighted average number of common shares of the Corporation outstanding each year. Where outstanding stock options dilute earnings per share, diluted earnings per share are calculated and disclosed.

### Cash and Cash Equivalents

Cash and cash equivalents include those short-term money market instruments which, on acquisition, have an original term to maturity of three months or less.

### Investments

Short-term investments, all of which are categorized as available for sale, are carried at the quoted market value.

Investments in shares of incorporated companies, in which Placer Dome's ownership is greater than 20% but no more than 50% are, where significant influence is present, accounted for by the equity method.

Investments in shares of other companies are classified as available-for-sale investments. Unrealized gains and losses on these investments are recorded in Accumulated OCI as a separate component of shareholders' equity, unless the declines in market values are judged to be other than temporary in which case the losses are recognized in income in the period.

### Inventories

Product inventories are valued at the lower of average production cost and net realizable value.

In-process inventories, including ore stockpiles, are valued at the lower of average production cost and net realizable value, after a reasonable allowance for further processing costs.

Materials and supplies are valued at the lower of average cost and replacement cost.

### Property, Plant and Equipment

Property, plant and equipment, including costs associated with properties under development, are carried at cost less depreciation and depletion.



December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

### Property, Plant and Equipment, Continued

Assets in use in commercial production are subject to depreciation and depletion over their estimated economic lives. For mineral properties, capitalized development and buildings and machinery, the unit-of-production method is applied where the mine operating plan calls for production from well-defined mineral ore reserves. Where total mineral reserves are not determinable because ore bearing structures are open at depth or are open laterally, the straight-line method is applied over the estimated life of each mine. For mobile and other equipment, the straight-line method is applied over the estimated life of the asset.

Mining costs incurred related to the removal of waste rock at open-pit mines, commonly referred to as "stripping costs", are generally capitalized under property, plant and equipment. Amortization, which is calculated using the units of production method based on recovered ounces of gold or pounds of copper, is charged to cost of sales as gold or copper is produced and sold, using a stripping ratio calculated as the ratio of total tons of rock to be moved to total ounces of gold or total pounds of copper expected to be recovered over the life of open pits.

This policy results in the recognition of stripping costs evenly over the lives of the open pits as gold or copper is produced and sold. The application of the policy generally will result in an asset on the balance sheet, although it is possible that a liability could arise if amortization exceeds costs capitalized due to the variation of the grades of ore being mined. Stripping costs are included in the carrying amount of the Corporation's mining properties for the purpose of assessing whether any impairment has occurred.

Effective January 1, 2002, the Corporation changed its accounting policy to exclude future estimated mining and development costs which were previously included in the estimate of life of mine stripping costs (note 2(a)).

Annually, or more frequently as circumstances require (such as a decrease in metal prices, an increase in operating costs or a decrease in mineral reserves), reviews are undertaken to evaluate the carrying values of operating mines and development properties. Estimated undiscounted future net cash flows from each mine and non-operating property are calculated using estimated future production, sales prices (considering historical and current prices, price trends and related factors), operating capital and costs and reclamation costs. If it is determined that the future cash flows

from a mine or non-operating property are less than the carrying value, a write-down to the estimated fair value is made with a charge to earnings.

The Corporation's estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the Corporation's investments in mineral properties.

### Goodwill

Acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase price over such fair value is recorded as goodwill. Pursuant to SFAS No. 142 *"Goodwill and Other Intangible Assets"*, goodwill is assigned to assets acquired and is not amortized. Goodwill is subject to determination of fair value at least annually and at such times as events or circumstances indicate that an impairment has occurred.

### Stock-based Incentive Plans

In accordance with the provisions of SFAS No. 123 *"Accounting for Stock-based Compensation"* ("SFAS 123"), Placer Dome applies Accounting Principles Board ("APB") Opinion No. 25 and related interpretations in the accounting for employee stock option plans, and follows the disclosure provisions of SFAS 123. For stock options granted to employees and directors, no compensation expense is recognized because the exercise price is equal to the market price of Placer Dome's common stock on the date of grant. For Canadian dollar denominated stock options granted to non-Canadian employees, variable accounting is applied. For stock options granted to personnel at joint ventures, deferred compensation charges based on the fair value of the options granted are expensed over the vesting period.

### Pension Plans

Placer Dome has both defined contribution and defined benefit pension plans. The costs of defined contribution pension plans, representing Placer Dome's required contribution, and the costs of defined benefit pension plans, determined based on the actuarial present value of expected future benefits attributed to the period, are charged to earnings in the period. Adjustments arising from plan amendments, experience gains and losses and changes in actuarial assumptions are amortized to earnings over the expected average remaining service lives of the respective employee groups.

### Reclassifications

Certain comparative figures for 2001 and 2000 have been reclassified to conform with the 2002 presentation.



## 2. Changes in Accounting Policies

(a) During the fourth quarter of 2002, Placer Dome changed its accounting policy, retroactive to January 1, 2002, with respect to depreciation and depletion of property, plant and equipment to exclude future estimated mining and development costs. Previously, certain mining operations had included future cost estimates and associated reserves in their depreciation calculations. This change was made to remove the inherent uncertainty in estimating future mining and development costs in arriving at depreciation and depletion rates. The cumulative effect of this change through December 31, 2001 was to decrease earnings on a pre and after tax basis by \$8 million (\$0.02 per share). The effect of the change in 2002 was to increase earnings on a pre and after tax basis before the cumulative effect of the accounting change by \$7 million (\$0.02 per share). The above items combined to decrease net earnings by \$1 million in 2002.

(b) For the purpose of reporting operating statistics, effective January 1, 2002, Placer Dome is classifying the amortization of deferred stripping costs as cash costs instead of non-cash costs in accordance with the Gold Institute's revised disclosure standard. As a consequence, amortization of deferred stripping costs which previously was charged through depreciation and depletion expense is now charged through cost of sales. For the years ended December 31, 2001 and 2000, \$48 million and \$42 million respectively, were reclassified from depreciation and depletion expense to cost of sales for comparative purposes with no impact to net earnings. During the fourth quarter of 2002, Placer Dome changed its classification of deferred stripping on the statements of cash flows from investing activity to operating activities. For the year ended December 31, 2001 and 2000, \$30 million and \$47 million, respectively, were reclassified.

(c) On January 1, 2001, Placer Dome adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and its companion policy SFAS 138 which establish accounting and reporting standards for derivative instruments. Copper forward contracts and foreign currency derivative contracts that are designated against specific operating costs or capital expenditures, which previously were accounted for off balance sheet, are now accounted for as cash flow hedges with the change in fair values recorded each period in OCI. As of January 1, 2001, the cumulative effect of the change in policy on the opening accumulated OCI on the balance sheet was nil, and the net adjustment to OCI in 2001 was \$1 million.

(d) During 2001, the FASB continued to address practice issues on stock based compensation in EITF 00-23, "*Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*". As a result of the prospective application of Issue 31 of EITF 00-23 for new awards after January 18, 2001, Placer Dome recorded additional compensation costs of \$3 million in 2001 through cost of sales related to Canadian dollar denominated stock options granted to non-Canadian employees. Effective for 2002 stock option grants, Placer Dome amended its 1987 Stock Option Plan and 1993 Directors Plan such that all new awards will be denominated in US dollars. Accordingly, Issue 31 of EITF 00-23 would no longer be applicable to these plans.

(e) In December 1999, the SEC released SAB 101, "Revenue Recognition", to provide guidance on the recognition, presentation, and disclosure of revenues in financial statements. In the fourth quarter of 2000, Placer Dome adopted SAB 101 with retroactive application to January 1, 2000, and recorded a charge of \$17 million (net of income taxes of \$5 million) related to prior year's gold earnings. The adjustment resulted from SEC's clarification of its view on when gold is considered to be in a saleable form. The effect of the change on the year ended December 31, 2000 was to increase earnings before the cumulative effect of the accounting change by \$11 million (\$0.03 per share). For the three months ended March 31, 2000, the Corporation recognized \$56 million in gold revenue that was included in the cumulative effect adjustment as of January 1, 2000. The effect of that revenue was to increase first quarter 2000 earnings by \$17 million (net of income taxes of \$5 million) during that period related to prior year's gold earnings.

## 3. Business Acquisition and Joint Venture

(a) On May 26, 2002, the Corporation announced a proposal for a wholly owned subsidiary to acquire all of the outstanding shares of Australian gold producer AurionGold Limited ("AurionGold"). On October 22, 2002, Placer Dome announced that it had acquired a controlling interest of 56% of the outstanding shares of AurionGold. Accordingly, the results of operations of AurionGold have been included in the accompanying financial statements from October 31, 2002 forward. At December 31, 2002, this interest had increased to 100% as Placer Dome had completed the compulsory acquisition process to obtain all of the remaining outstanding shares of AurionGold.



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 3. Business Acquisition and Joint Venture, Continued

### (a) Continued

Consideration paid for the AurionGold shares was 17.5 Placer Dome shares for every 100 AurionGold shares and a cash payment of A\$0.35 per AurionGold share (reduced for subsequent cash dividend payments from AurionGold to A\$0.28 and A\$0.18 per AurionGold share). The purchase price for the acquisition totalled \$785 million, comprised of 78 million Placer Dome shares, \$63 million in cash and approximately \$13 million in direct costs incurred by Placer Dome. In addition to this \$13 million, AurionGold accrued in its pre acquisition results charges totalling \$7 million for severance and office closure costs bringing the total direct costs to \$20 million. The average value of Placer Dome shares was \$9.09 per share based on the Placer Dome share price on the date the AurionGold shares were tendered.

The acquisition increases Placer Dome’s ownership in the Granny Smith and Porgera gold mines from 60% and 50% to 100% and 75% respectively and includes the Paddington and Kundana mills and related gold mines (collectively “Kalgoorlie West”) as well as the Kanowna Belle and Henty gold mines in Australia and provides significant land positions within the prospective Kalgoorlie and Laverton regions of Western Australia. It is expected to add significant ounces of gold to Placer Dome’s annual production and result in synergies, over time, through rationalization of corporate overhead and exploration programs, reductions in procurement costs, financing costs and income taxes and other operational costs.

The acquisition was accounted for using the purchase method whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill. Goodwill will be reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate. The overall purchase price allocation is preliminary and will be finalized following the completion of an independent appraisal expected to be available during the first half of 2003. The final allocations may differ from the preliminary allocations presented below. The following reflects the preliminary purchase allocation for the acquisition of 100% of AurionGold (in millions, except per share data):

Common shares of Placer Dome issued to AurionGold shareholders	78
Value of Placer Dome common stock per share	\$ 9.09
Fair value of Placer Dome common stock issued	709
Plus—Cash consideration	63
Plus—Direct acquisition costs incurred by Placer Dome	13
Total Purchase Price	785
Plus—Fair value of liabilities assumed by Placer Dome	
Current liabilities	50
Long-term debt	136
Derivative instrument liabilities	225
Other non-current liabilities	45
Less—Fair value of assets acquired by Placer Dome	
Cash	29
Other current assets	55
Mineral properties and mine development	481
Mine plant and equipment	155
Purchased undeveloped mineral interests	244
Deferred tax asset	65
Other long-term assets	12
Residual purchase price allocated to goodwill	200

As part of the purchase of AurionGold, Placer Dome acquired identifiable intangible assets, other than goodwill, of \$244 million, primarily for undeveloped mineral interests. These intangible assets are not subject to amortization and will be tested for impairment at least annually.

In addition to the asset allocations noted above, an additional \$197 million of assets have been recorded as a result of the gross-up requirement of FASB Statement of Financial Accounting Standards No.109, “Accounting for Income Taxes”. This standard requires the establishment of a deferred tax liability for the estimated increase in the net book value over and above the increase in underlying tax basis of the assets acquired on the date of acquisition.

The following tables set forth, on an unaudited pro forma basis, the consolidated results of operations of Placer Dome as if the acquisition of AurionGold had occurred on January 1, 2002 and January 1, 2001 respectively (millions of dollars except per share amounts). The pro forma information is not indicative of the combined company’s future results of operations.

Year ended December 31	2002 (unaudited)	2001 (unaudited)
Sales	\$ 1,474	\$ 1,551
Net earnings (loss) before the effect of changes in accounting policies	122	(136)
Net earnings (loss)	114	(136)
Net earnings (loss) per share before the effect of changes in accounting policies	0.35	(0.41)
Net earnings (loss) per share	0.33	(0.41)

The above unaudited pro forma summarized amounts have been prepared using the following parameters and assumptions:



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

- Sales and Net earnings for 2002 reflect AurionGold's operations as they existed after the acquisition of Delta Gold Limited ("Delta") by Goldfields Limited ("Goldfields") on December 31, 2001;
- Sales and Net earnings for 2001 reflect AurionGold's operations as if Delta had been acquired on January 1, 2001;
- AurionGold's sales and net earnings have been adjusted for applicable material differences between Australian and United States GAAP as well as for any material differences in accounting policies between AurionGold and Placer Dome;
- AurionGold's sales and net earnings for both years have been adjusted to remove the after-tax impact of material non-recurring transactions;
- Placer Dome's fair value purchase price allocation as at the actual acquisition date, October 31, 2002, has been used as the basis for adjusting depreciation and depletion expense for both years;
- All of AurionGold's metal contracts are exempt from FAS 133 as normal course sales as AurionGold physically settled the forward sales and other contracts at their designation dates during the 2 year period;
- All of AurionGold's foreign currency derivative contracts have been designated as cash flow hedges under FAS 133 and were 100% effective; and
- Tax rates used in the above adjustments are based on AurionGold's effective tax rates in 2001 and 2002.

(b) Effective July 1, 2002, Placer Dome (CLA) Limited ("PDCLA"), a wholly-owned subsidiary of Placer Dome, and Kinross Gold Corporation ("Kinross") formed the Porcupine Joint Venture which combined the operations of the Dome mine and mill, and the Kinross operations consisting of the Hoyle Pond, Pamour and Nighthawk Lakes mines as well as the Bell Creek mill. PDCLA owns a 51% interest in and is the operator of the joint venture, while Kinross owns the remaining 49% interest. The final allocation of the net book value of the proportionate share of the assets contributed (\$24 million) to the joint venture by PDCLA, to the proportionate share of the assets acquired has been to the operating and exploration assets contributed by Kinross (\$33 million) with an offsetting provision for reclamation (\$9 million). The Porcupine Joint Venture is an unincorporated joint venture, and as such is proportionately consolidated.

## 4. Business Segments

Substantially all of Placer Dome's operations are within the mining sector. Due to geographic and political diversity, Placer Dome's mining operations are decentralized whereby Mine General Managers are responsible for achieving specified business results within a framework of global policies and standards. Regional corporate offices provide support infrastructure to the mines in addressing local and regional issues including financial, human resource and exploration support. Major products are gold, silver and copper produced from mines located in Canada, the US, Australia, Papua New Guinea, South Africa and Chile.

### (a) Product segments

Sales by metal Years ended December 31	2002	2001	2000
Gold	\$ 916	\$ 927	\$ 1,063
Copper	289	291	343
Other	4	5	7
	\$ 1,209	\$ 1,223	\$ 1,413

### (b) Segment operating earnings (loss)

Years ended December 31	Sales <sup>(1)</sup>			Depreciation and Depletion			Mine Operating Earnings <sup>(1)</sup>		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
<b>Canada</b>									
Campbell	\$ 60	\$ 54	\$ 68	\$ 12	\$ 13	\$ 13	\$ 12	\$ (3)	\$ 12
Dome <sup>(iii)</sup>	38	88	86	10	18	18	(3)	1	4
Porcupine <sup>(iii)</sup>	27	—	—	5	—	—	2	—	—
Musselwhite	44	45	46	10	12	12	1	1	7
	169	187	200	37	43	43	12	(1)	23
<b>United States</b>									
Bald Mountain	54	29	40	7	7	7	19	(10)	(3)
Cortez	197	191	179	25	27	27	86	78	92
Getchell <sup>(iv)</sup>	11	—	—	—	—	—	2	—	—
Golden Sunlight	34	55	58	3	15	12	—	5	4
	296	275	277	35	49	46	107	73	93
<b>Australia</b>									
Henty <sup>(v)</sup>	3	—	—	1	—	—	(1)	—	—
Granny Smith <sup>(vi)</sup>	99	64	79	11	2	3	46	20	24
Kalgoorlie West <sup>(v)</sup>	18	—	—	7	—	—	(2)	—	—
Kanowna Belle <sup>(v)</sup>	17	—	—	7	—	—	1	—	—
Kidston <sup>(viii)</sup>	—	42	69	—	7	19	—	6	(5)
Osborne	68	70	72	12	13	21	10	12	7
	205	176	220	38	22	43	54	38	26
<b>Papua New Guinea</b>									
Misima	48	49	64	1	3	11	14	8	(1)
Porgera <sup>(vi)</sup>	118	102	127	18	15	27	10	8	19
	166	151	191	19	18	38	24	16	18
<b>South Africa</b>									
South Deep	60	46	45	8	7	5	13	7	8
<b>Chile</b>									
Zaldívar	230	224	281	44	41	59	42	50	83
<b>Metal hedging</b>									
Other	83	163	198	—	—	—	83	163	198
	—	1	1	6	2	10	(11)	(10)	(7)
	\$1,209	\$1,223	\$1,413	\$187	\$182	\$244	\$324	\$336	\$442



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 4. Business Segments, Continued

### (b) Segment operating earnings (loss), continued

- (i) Of the metal sales from mines located in Canada for the years 2002, 2001 and 2000, \$136 million, \$158 million and \$114 million, respectively, were domestic sales, and \$33 million, \$29 million and \$86 million, respectively, were export sales to international bullion banks. All other sales were primarily to international bullion banks.
- (ii) Included in equity in earnings (loss) of associates is \$1 million (2001 and 2000—nil) for mine operating earnings related to La Coipa Mine.
- (iii) Results include 100% of Dome Mine's operating results up to June 30, 2002 and 51% of Porcupine Joint Venture operating results from July 1, 2002 to December 31, 2002 (see note 3(b)).
- (iv) Results from Getchell relate to third party ore sales in the first three quarters of 2002.
- (v) Results include 100% of the mine operations of AurionGold from November 1, 2002 (see note 3(a)).
- (vi) Results include 60% of Granny Smith Mine's and 50% of Porgera Mine's operations up to October 31, 2002 and 100% and 75%, respectively, thereafter (see note 3(a)).
- (vii) The Kidston mine was closed in July 2001 due to the depletion of ore.

## 5. Write-downs of Mining Interests

Annually, or more frequently as circumstances require, the Corporation performs property evaluations to assess the recoverability of its mining properties and investments. Mine asset impairment analyses were performed using a long-term gold price of \$300/oz. in 2002, \$275/oz. in 2001 and \$300/oz. in 2000. For short-lived mines and stockpiled ore, a gold price of \$300/oz. was used in 2002 and \$275/oz. was used in 2001 and 2000. In 2001 and 2000, the Corporation determined that write-downs of the carrying values of certain assets were required.

In 2001, Placer Dome recorded write-downs and provisions totalling \$301 million (with nil tax effect), including \$292 million for the Getchell Mine and \$8 million for the Bald Mountain Mine. In the third quarter, Placer Dome wrote off Getchell after extensive analysis failed to identify a mine plan that would recover the carrying value of the asset. The charge was comprised of \$268 million primarily for property, plant and equipment and accruals of \$24 million for reclamation and closure obligations.

In 2000, a \$377 million non-cash charge (\$328 million after tax), primarily consisting of \$147 million for Porgera, \$66 million for Getchell, \$45 million for Osborne and \$116 million for Las Cristinas, was recorded. At Porgera, the write-down comprised of reductions to stockpiles (\$9 million), capitalized development (\$38 million) and the remaining excess purchase price (\$100 million) which arose in 1997 with the acquisition of Highlands Gold Limited for the additional 25% interest in the Porgera Mine. The provision at Getchell included a write-down of \$40 million for mine development in the Getchell

underground, \$15 million for a portion of the mill, and \$11 million for previously capitalized exploration, development costs and obsolete equipment. The provision at Osborne primarily related to capitalized development costs. In the second quarter of 2000, the Corporation wrote off its investment in Las Cristinas as a review of options to resume development of the project, which was halted in July 1999, at a lower capital cost concluded it was not economic at the then current gold prices. Placer Dome sold the company which held its interest in Las Cristinas in 2001.

## 6. Non-hedge Derivative Gains (Losses)

Details of non-hedge derivative gains (losses) are as follows:

Years ended December 31	2002	2001	2000
Realized non-hedge derivative gains (losses)			
Currency	\$ (8)	\$ (18)	\$ (62)
Unrealized non-hedge derivative gains (losses) <sup>(i)</sup>			
Metals	(13)	4	14
Currency	24	(15)	11
	\$ 3	\$ (29)	\$ (37)

- (i) See note 17 for additional disclosure related to Placer Dome's derivative program.

## 7. Investment and Other Business Income

Investment and other income comprises the following:

Years ended December 31	2002	2001	2000
Interest income	\$ 10	\$ 16	\$ 18
Dividend income <sup>(iii)</sup>	5	—	—
Gain and interest income on sale of water rights <sup>(i)</sup>	6	6	76
Foreign exchange gains (losses)	(2)	(4)	3
Cumulative translation adjustment recognized on the closure of Kidston	—	21	—
Gains on sales of investments and assets	9	2	10
Gains on redemption of preferred securities	—	—	5
Other <sup>(ii)</sup>	11	1	10
	\$ 39	\$ 42	\$ 122

- (i) In December 2000, Compania Minera Zaldívar completed the sale of some of its water rights for a sum of \$135 million receivable in fifteen equal annual installments of \$9 million commencing July 1, 2001. On a discounted basis, this resulted in a pre-tax gain of \$76 million (\$49 million after tax) and a corresponding receivable being recorded in 2000. Imputed interest on the receivable is being accrued monthly.
- (ii) In 2000, included in other is \$7 million related to the settlement of a 1993 sale agreement with the Papua New Guinea Government for its acquisition of additional ownership interests in the Porgera Mine.
- (iii) Represents dividends received from AurionGold prior to obtaining control on October 22, 2002 (see note 3(a)).



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 8. Income and Resource Taxes

(a) Details of income and resource tax expense (reduction) related to operations are as follows:

Years ended December 31	2002	2001	2000
Income taxes			
Current			
Canada	\$ 8	\$ 2	\$ 6
Foreign	17	13	41
Deferred			
Canada <sup>(i)</sup>	(29)	(32)	10
Foreign	36	(16)	(49)
	32	(33)	8
Mining taxes—Canada			
Current	1	1	2
Deferred	1	(4)	(16)
	2	(3)	(14)
	\$ 34	\$ (36)	\$ (6)

(i) Includes a provision of nil (2001—\$14 million; 2000—\$25 million) for taxes payable upon repatriation of funds to Canada.

(b) The provision for income taxes is based on pre-tax income (loss) before minority interests, equity in earnings of associates and cumulative effect of change in accounting policy as follows:

Years ended December 31	2002	2001	2000
Canada	\$ (53)	\$ (193)	\$ (3)
Foreign	206	30	(76)
	\$ 153	\$ (163)	\$ (79)

(c) The reconciliation of the combined Canadian federal and provincial statutory income tax rates to the effective tax rate on earnings before taxes and other items is as follows:

Years ended December 31	2002	2001	2000
Combined basic statutory tax rate <sup>(i)</sup>	39.6%	(44.5%)	(45.6%)
Non-taxable portion of investment (gains) losses	(0.9)	(0.6)	(28.1)
Non-deductible portion of asset write-downs	—	0.2	35.8
Expenses not deductible for income tax purposes <sup>(ii)</sup>	6.5	2.6	12.6
Mining and other resource taxes	1.0	(0.7)	(11.9)
Resource allowance	(2.9)	(0.2)	(8.3)
Depletion	(8.4)	(7.9)	(11.2)
Foreign earnings subject to different tax rates <sup>(iii)</sup>	(26.5)	(22.7)	(49.9)
Change in valuation allowance (note 8(e))	(81.8)	30.8	72.4
Canadian tax provided on unrepatriated earnings	—	8.8	31.4
Foreign exchange	10.9	10.6	(1.8)
Capital losses expired on Australian reorganization	78.6	—	—
Other	6.1	1.5	(3.0)
Effective tax rate	22.2%	(22.1%)	(7.6%)

(i) Canadian federal income tax rate and weighted average of Canadian provincial income tax rates, including surtaxes.

(ii) Comprising primarily non-deductible depreciation, amortization and depletion and non-deductible exploration expenditures.

(iii) After taking into account applicable withholding taxes.

(d) Deferred income and resource taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The sources of temporary differences in operations and the related deferred income tax amounts are as follows:

Years ended December 31	2002	2001	2000
Depreciation and amortization	\$ (23)	\$ (13)	\$ (25)
Exploration and development	(8)	(17)	3
Write-downs of mining interests	—	—	(49)
Canadian tax provided on unrepatriated earnings	—	14	25
Tax losses	(7)	(29)	(13)
Foreign exchange	21	(25)	(18)
Accrued withholding tax	4	5	1
Other	21	13	21
	\$ 8	\$ (52)	\$ (55)

(e) Components of deferred income and resource tax assets and liabilities comprise:

December 31	2002	2001
Deferred income and resource tax assets		
Tax losses and credits	\$ 280	\$ 377
Other	461	354
Valuation allowance <sup>(i)</sup>	(190)	(314)
	551	417
Deferred income and resource tax liabilities		
Capital assets	492	270
Other	225	187
	717	457
Net deferred tax liability	\$ 166	\$ 40

(i) A Venezuelan subsidiary, which had tax losses valued at \$61 million, was sold in 2001. A valuation allowance had been provided against these losses.

Net deferred tax liability consists of:

December 31	2002	2001
Current deferred tax assets	\$ (3)	\$ (3)
Long-term deferred income and resource tax assets	(28)	(24)
Current deferred tax liabilities	2	—
Long-term deferred income and resource tax liabilities	195	67
	\$ 166	\$ 40



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

## 8. Income and Resource Taxes, Continued

- (f) Loss and tax credit carry forwards are as follows as at December 31, 2002.

Country	Category	2002	Expiry
Australia <sup>(i)</sup>	Operating losses	25	n/a
Canada	Non-capital losses	137	2003–2008
Chile	Operating losses	464	n/a
South Africa	Non-capital losses	63	n/a
United States <sup>(ii)</sup>	Operating—Regular tax <sup>(iii)</sup>	98	2012–2020
	Operating—Alternative minimum tax	148	2012–2020
	Alternative minimum tax credits	20	n/a
Other	Operating losses	1	2003–2012

- (i) A valuation allowance has been provided on the United States loss and tax credit carry forward amounts and on Australian operating losses of \$12 million.

- (ii) In 2002, United States net operating losses of \$34 million (2001—\$68 million) for regular income tax purpose were utilized.

Canadian net capital losses of \$42 million, which do not expire, have a valuation allowance provided against them.

- (g) Internal financing arrangements are utilized that require the payment of interest. Depending on the jurisdictions involved, withholding taxes may have to be paid. During 2002, withholding taxes of \$4 million related to inter-company loans were incurred (2001—\$7 million).

- (h) Net income and resource tax payments were \$17 million and \$21 million in 2002 and 2001 respectively.

- (i) See Note 18(g) for a discussion of the impact of the reassessment of Ontario Mining Taxes.

## 9. Inventories

Inventories comprise the following:

December 31	2002	2001
Metal in circuit	\$ 87	\$ 80
Ore stockpiles	69	61
Materials and supplies	63	44
Product inventories	38	21
	257	206
Long-term portion of ore stockpiles	(55)	(46)
Inventories	\$ 202	\$ 160

## 10. Investments

Investments, other than those included in current assets, are comprised principally of the equity accounted for investment in Compañía Minera Mantos de Oro (2002—\$45 million, 2001—\$55 million).

## 11. Other Assets

Other assets comprise the following:

December 31	2002	2001
Sale agreement receivable <sup>(i)</sup>	\$ 72	\$ 75
Ore stockpiles <sup>(ii)</sup>	69	61
Other	36	33
	177	169
Current portion of other assets	(23)	(24)
	\$ 154	\$ 145

- (i) Balance relates to sale of the CMZ water rights (see note 7).

- (ii) Includes \$14 million (2001—\$15 million) of stockpiled ore which is expected to be processed in the following twelve months.

## 12. Property, Plant and Equipment

- (a) Details of Placer Dome's property, plant and equipment, including deferred stripping, are as follows:

	December 31, 2002			December 31, 2001		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Mineral properties and deferred development	\$2,212	\$ (865)	\$1,347	\$1,646	\$ (901)	\$ 745
Mine plant and equipment	2,278	(1,292)	986	2,157	(1,327)	830
Properties under development <sup>(i)</sup>	362	—	362	108	—	108
	\$4,852	\$(2,157)	\$2,695	\$3,911	\$(2,228)	\$1,683

- (i) The significant components of the balance are \$244 million for exploration potential on the properties acquired from AurionGold in 2002, primarily Kanowna Belle and Kalgoorlie West, and \$95 million (2001—\$90 million) for the development of the South Deep Shaft at the South Deep Mine.

- (b) Property plant and equipment (net), which includes deferred stripping, and additions thereto by country are as follows:

	Property, Plant & Equipment		Additions to Property, Plant & Equipment <sup>(i)</sup>		
	December 31		Years ended December 31		
	2002	2001	2002	2001	2000
Australia (note 3(b))	\$ 1,099	\$ 71	\$ 29	\$ 41	\$ 16
Chile	584	627	10	43	16
South Africa	474	434	42	51	43
Canada (note 3(b))	209	218	18	20	12
Papua New Guinea (note 3(a))	218	192	19	34	35
United States	111	141	29	33	67
	\$ 2,695	\$ 1,683	\$ 147	\$ 222	\$ 189

- (i) Includes deferred stripping of \$19 million (2001—\$30 million; 2000—\$47 million).



# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 [all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP]

## 13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities comprise of the following:

December 31	2002	2001
Trade payables	\$ 94	\$ 66
Accrued employee salaries and benefits	37	35
Current reclamation obligation (note 15)	17	12
Interest payable	8	8
Deferred commodity derivatives	11	1
Other	27	18
	\$ 194	\$ 140

## 14. Long-term Debt and Capital Leases

(a) Consolidated long-term debt and capital leases comprise the following:

December 31	2002	2001
Placer Dome Inc.		
Bonds, unsecured		
May 15, 2003 at 7.125% per annum	\$ 200	\$ 200
June 15, 2007 at 7.125% per annum	100	100
June 15, 2015 at 7.75% per annum	100	100
Preferred Securities, unsecured <sup>(i)</sup>		
Series A, December 31, 2045 at 8.625% per annum	185	185
Series B, December 31, 2045 at 8.5% per annum	77	77
Medium—term notes, unsecured <sup>(iii)</sup>	140	170
AurionGold Limited, unsecured (note 14(c))	137	—
Capital leases <sup>(iii)</sup>	8	10
	947	842
Current portion	(340)	(35)
	\$ 607	\$ 807

(i) Series A and Series B Preferred Securities are redeemable by the Corporation, in whole or in part, on or after December 17, 2001 and December 17, 2006, respectively, at the principal amount plus accrued and unpaid interest to the date of redemption (hereafter referred to as the "Maturity Amount"). The Corporation may, at its option, pay the Maturity Amount by delivering Common Shares, in which event the holder of the securities shall be entitled to receive a cash payment equal to the Maturity Amount from proceeds of the sale of the Common Shares on behalf of the holder. Holders of the securities will not be entitled to receive any Common Shares in satisfaction of the obligation to pay the Maturity Amount.

In 2000, the Corporation repurchased and cancelled \$23 million of the Preferred Securities at a cost of \$18 million.

(ii) The interest rates range from 6.1% to 8.0% and the notes mature between 2003 and 2026.

(iii) The Corporation is obligated under capital leases for mobile mining equipment for remaining terms ranging from one to four years. All capital lease agreements provide that the Corporation can purchase the leased equipment at fair value at the end of the lease term. At December 31, 2002 and 2001, \$5 million and \$4 million respectively, of leased property was included in plant and equipment, net of \$9 million and \$7 million, respectively, of accumulated depreciation and depletion.

(iv) Anticipated requirements to meet long-term debt and capital lease repayments over the next five years from December 31, 2003 are as follows:

	Long-term debt	Capital Leases	Total
2003	\$ 337	\$ 4	\$ 341
2004	—	2	2
2005	44	1	45
2006	32	1	33
2007	100	1	101
Thereafter	426	—	426
Long-term debt and capital lease obligations	939	9	948
Less amount representing interest	—	(1)	(1)
	\$ 939	\$ 8	\$ 947

(b) Interest and financing expense comprise of:

Years ended December 31	2002	2001	2000
Interest charges—long-term debt	\$ 64	\$ 67	\$ 70
Capitalized interest	(6)	(6)	(4)
Interest expense—long-term debt	58	61	66
Short-term interest and financing expense	8	9	9
Interest and financing expense	66	70	75
Interest payments—long-term debt	64	68	71
Weighted average interest rate	7.6%	7.6%	7.7%

(c) At December 31, 2002, Placer Dome had unused bank lines of credit of \$732 million comprised of A\$5 million, CAD\$25 million and credit facilities of \$713 million with an international consortium of banks of which \$400 million is fully committed until 2005, \$280 million is extendable on an annual basis and \$33 million revolving credit facility which has a maturity date of March 31, 2003. The funds are available for general corporate purposes. The majority of these facilities are long-term at interest rates determined with reference to LIBOR which at December 31, 2002 was 1.4% (three-month term).

At December 31, 2002, AurionGold had drawn \$137 million from its own revolving credit facility. This bilateral facility was for a total of \$170 million at LIBOR based interest rates. The outstanding amount drawn on this facility was repaid on January 31, 2003, see note 21(a) and the facility was terminated.

# Notes to the Consolidated Financial Statements

December 31, 2002, 2001 and 2000 [all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP]

## 15. Deferred Credits and Other Liabilities

Deferred credits and other liabilities comprise the following:

December 31	2002	2001
Reclamation and post-closure obligations (note 18(a))	\$ 197	\$ 130
Pension liability (note 19)	44	27
Minority interest in subsidiaries	5	13
Other obligations and provisions	13	8
	259	178
Current portion of deferred credits and other liabilities	(18)	(12)
	\$ 241	\$ 166

## 16. Share Capital

### (a) Common shares issued and outstanding

	Shares (000's)	Amount
Balance, December 31, 1999	327,486	\$ 1,247
Exercise of share options	132	1
Balance, December 31, 2000	327,618	1,248
Exercise of share options	991	11
Balance, December 31, 2001	328,609	1,259
Issued for acquisition of AurionGold (note 3(a))	77,934	710
Exercise of share options	2,199	23
Balance, December 31, 2002	408,742	\$ 1,992

### (b) Share options

As at December 31, 2002, Placer Dome had three stock based incentive plans: the Placer Dome Inc. (Getchell) 1996 Long-Term Equity Incentive Plan ("1996 LTIP"), the Placer Dome Inc. 1987 Stock Option Plan ("1987 Stock Option Plan") and the Placer Dome Inc. 1993 Non-Employee Directors' Stock Option Plan ("1993 Directors Plan"). The following table describes these plans:

	Reserved	Options outstanding	Options exercisable
	Shares (000's)	Shares (000's)	Shares (000's)
1996 LTIP <sup>(i)</sup>	982	94	94
1987 Stock Option Plan <sup>(iii)</sup>	19,913	14,199	8,719
1993 Directors Plan <sup>(iii)</sup>	700	600	545
	21,595	14,893	9,358

- (i) Under the 1996 LTIP, options were granted to employees of Getchell Gold Corporation ("Getchell") at an exercise price equal to the market price of Getchell shares on the date of the grant. Placer Dome assumed the obligations under the plan upon the merger with Getchell on May 27, 1999 and reserved for issuance a number of shares equal to the number of options then outstanding under the plan. All options granted under this plan are vested and expire no later than ten years from the grant date. No future grants will be made under this plan.

- (ii) Under the 1987 Stock Option Plan and the 1993 Directors Plan, options to purchase common shares of Placer Dome may be granted to employees and directors of Placer Dome and its subsidiaries for terms up to ten years, at an exercise price equal to the closing board lot sale price per share of Placer Dome shares traded on either the Toronto Stock Exchange or the New York Stock Exchange (as determined by the Human Resources and Compensation Committee) on the day immediately preceding the date of grant. The vesting periods range from one to three years. The aggregate number of shares for which options may be granted under the 1987 Stock Option Plan and the 1993 Directors Plan shall not exceed 25,000,000 and 750,000 respectively.

The following table contains information with respect to all option plans:

	Options denominated in CAD\$		Options denominated in US\$	
	Shares (000's)	Price CAD\$/share	Shares (000's)	Price US\$/share
Options outstanding, December 31, 1999	11,225	12.00 – 39.75	1,260	3.67 – 20.41
Granted	2,923	12.30 – 15.05 <sup>(i)</sup>	—	—
Exercised	(2)	12.00	(130)	3.67 – 9.69
Forfeited or expired	(1,343)	15.05 – 39.25	(701)	8.27 – 19.34
Options outstanding, December 31, 2000	12,803	12.00 – 39.75	429	5.10 – 20.41
Granted	4,500	12.69 – 16.85 <sup>(i)</sup>	—	—
Exercised	(939)	12.00 – 17.55	(50)	7.83 – 10.31
Forfeited or expired	(771)	12.30 – 39.25	(23)	5.56 – 18.52
Options outstanding, December 31, 2001	15,593	12.00 – 39.75	356	5.10 – 20.41
Granted	—	—	2,157	9.75 – 12.51
Exercised	(2,044)	12.00 – 19.60	(155)	5.56 – 12.55
Forfeited or expired	(840)	12.00 – 39.25	(175)	9.67 – 20.41
Options outstanding, December 31, 2002	12,710	12.40 – 39.75	2,183	5.10 – 19.24

- (i) The weighted average fair value of options granted in 2002, 2001 and 2000 was US\$4.20, CAD\$5.86 and CAD\$5.28 per share, respectively.

The following table summarizes information about share options outstanding:

December 31, 2002	Options outstanding			Options exercisable	
	Shares (000's)	Average life (years)	Weighted average price	Shares (000's)	Weighted average price
Range of exercise prices					
CAD\$ options					
\$12.40–\$19.45 <sup>(i)</sup>	9,319	6.86	15.20	5,848	16.39
\$19.46–\$25.00	387	3.63	22.74	387	22.74
\$25.01–\$32.62	2,459	3.26	28.78	2,459	28.78
\$32.63–\$39.75	545	3.17	39.00	545	39.00
	12,710	5.91	19.07	9,239	21.29
US\$ options					
\$5.10–\$8.16	38	5.66	5.19	38	5.19
\$8.17–\$12.24	105	9.60	11.31	4	9.67
\$12.25–\$16.33	2,021	9.03	12.52	58	12.95
\$16.34–\$19.24	19	3.80	19.07	19	19.07
	2,183	8.95	12.39	119	11.34

- (i) Includes 2,010,641 Canadian dollar denominated stock options granted to non-Canadian employees for which variable accounting is applied. Of these 371,239 options are vested and 1,638,802 options are unvested and have an exercise price of CAD\$12.69 per share.



December 31, 2002, 2001 and 2000 (all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP)

(c) The Corporation follows the disclosure-only provisions of SFAS No. 123 for stock options granted to Canadian employees and directors. Prior to 2001 and during 2002 (see note 2(d)) the Corporation followed the disclosure-only provisions of SFAS No. 123 for stock options granted to non-Canadian employees and directors. Had compensation cost for these grants been determined based on the fair value at the grant date for awards, in 2002, 2001 and 2000 consistent with the provisions of SFAS No. 123, the Corporation's earnings (loss) and earnings (loss) per share on a US basis would have been adjusted to the pro forma amounts indicated below:

Years ended December 31	2002	2001	2000
Earnings (loss)—as reported	\$ 116	\$ (133)	\$ (92)
Earnings (loss)—pro forma	106	(147)	(107)
Earnings (loss) per share— as reported	0.33	(0.41)	(0.28)
Earnings (loss) per share— pro forma	0.30	(0.45)	(0.33)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

December 31	2002	2001	2000
Dividend yield	1.7%	1.11%	1.0%
Expected Volatility	30%	30%	40%
Risk-free interest rate	4.31%	5.53%	6.50%
Expected lives	10 years	10 years	10 years

(d) Placer Dome first adopted a shareholders' rights plan (the "Rights Plan") in 1990. The current Rights Plan was approved by shareholders at the 2001 annual general meeting.

Under the Rights Plan, each "Voting Share" issued prior to the Separation Time (as defined below) carries with it one right (a "Right"). A Voting Share is any share or voting interest issued by the Corporation (collectively, the "Voting Shares") entitled to vote generally in the election of directors. The only Voting Shares currently outstanding are the Common Shares. Each Right carries with it the right to purchase shares in Placer Dome, at a discounted price, under certain circumstances and in the event of particular hostile efforts to acquire control of Placer Dome. The Rights are currently not exercisable and Rights certificates will not be distributed until certain specified events cause

the Rights to separate from the Voting Shares (the "Separation Time"). Pending separation, the Rights will be evidenced by and trade with the Voting Shares. The Rights will expire no later than the termination of Placer Dome's annual meeting in 2004. The Rights may be redeemed at a price of CAD\$0.001 per right prior to a specified event but in certain cases, only following approval by a majority of the votes cast by independent shareholders at a special meeting of shareholders.

If a person or group acting in concert acquires 20% or more of the Common Shares (or other class of Voting Shares) in a transaction that is not a "Permitted Bid" or a "Competing Permitted Bid", the Rights will become exercisable and entitle the holders thereof (other than the acquiring person or group) to purchase Common Shares at a 50% discount from the Market Price (as defined). The Rights are not triggered by a "Permitted Bid", which is essentially a takeover bid made to all shareholders for any or all of their shares. The "Permitted Bid" must be made by way of a circular bid in compliance with securities laws and must comply with other conditions, including the condition that no shares be taken up for 60 days following the bid and then only if more than 50% of the then outstanding Common Shares held by independent shareholders have been tendered to the bid. A "Competing Permitted Bid" is a take-over bid made after a "Permitted Bid" has been made and prior to its expiry that satisfies all of the provisions of a "Permitted Bid", except that it must remain open for acceptance until a date that is not earlier than the later of 21 days after the "Competing Permitted Bid" is made and 60 days after the date of the earliest prior bid in existence when the "Competing Permitted Bid" is made. The entering into of certain revocable lock-up agreements to tender Common Shares into a takeover bid will not trigger the Rights.

December 31, 2002, 2001 and 2000 [all amounts are in millions of United States dollars, except where otherwise indicated, US GAAP]

17. Fair Value of Financial Instruments with Off-Balance Sheet Risk

The following table presents the carrying amounts and estimated fair values of Placer Dome’s financial instruments:

December 31	2002		2001	
	Carrying Value	Fair Value <sup>(i)</sup>	Carrying Value	Fair Value <sup>(i)</sup>
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 537	\$ 537	\$ 433	\$ 433
Short-term investments	7	7	6	6
Investments other than equity investments	8	8	3	3
Sale agreement receivable	72	72	75	75
Metal contracts	—	—	18	490
<b>Financial Liabilities</b>				
Short-term and long-term debt and capital leases	947	978	844	835
Foreign currency contracts and options	24	24	27	27
Metal contracts and options	186	100	—	—

(i) Year-end quoted market prices for specific or similar instruments were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate the fair value. For metal and currency contracts and options, the fair value is calculated using the spot and forward prices and volatilities as at December 31.

Placer Dome enters into financial agreements (financial instruments) with major international banks and other international financial institutions in order to manage underlying revenue and cost exposures arising from fluctuations in commodity prices, foreign currency exchange rates and interest rates. Financial instruments which subject Placer Dome to market risk and concentrations of credit risk consist primarily of cash and short-term investments, forward contracts and option contracts for currencies and metals. Placer Dome places its cash and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

The Corporation is exposed to credit risk in the event of non-performance by counterparties in connection with its currency and metal forward and option contracts. The Corporation does not obtain any security to support financial instruments subject to credit risk but mitigates this risk by dealing only with a diverse group of financially sound counterparties and, accordingly, does not anticipate loss for non-performance. The Corporation continually monitors the market risk of its activities.

At December 31, 2002, based on the spot prices of \$343 per ounce for gold, \$4.67 per ounce for silver and \$0.70 per pound for copper, the unrealized mark-to-market values of Placer Dome’s precious metals and copper sales programs were approximately negative \$100 million and \$1 million, respectively. Offsetting the negative \$100 million, Placer Dome has \$191 million accrued in Deferred Commodity and Currency Derivatives liability at December 31, 2002 primarily related to the fair value of AurionGold’s precious sales program as part of the AurionGold purchase price equation. For the currency program, if Placer Dome closed out its currency forward and option contracts on December 31, 2002, the cost would have been approximately \$24 million (based on foreign exchanges rates of C\$/US\$1.5796 and A\$/US\$1.7649), all of which has been recognized through earnings or other comprehensive income.



# Notes to the Consolidated Financial Statements

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At December 31, 2002, Placer Dome’s consolidated metals sales program consists of:

	2003	2004	2005	2006	2007	2008	2009+	Total
<b>Gold (000's ounces):</b>								
<b>Forward contracts<sup>(i)</sup></b>								
US\$ denominated fixed contracts								
Amount	570	542	697	498	230	250	150	2,937
Average price (\$/oz)	427	405	352	336	352	378	389	378
US\$ denominated fixed interest floating lease rate								
Amount	—	—	161	317	517	449	1,785	3,229
Average price (\$/oz)	—	—	465	423	439	427	489	465
A\$ denominated forward contracts								
Amount	444	590	598	575	544	379	406	3,536
Average price (\$/oz)	307	309	318	328	338	350	384	331
Total								
Forward contracts	1,014	1,132	1,456	1,390	1,291	1,078	2,341	9,702
<b>Call options sold and cap agreements<sup>(ii)</sup></b>								
US\$ denominated contracts								
Amount	—	500	230	180	100	200	—	1,210
Average price (\$/oz)	—	337	365	359	367	392	—	357
A\$ denominated contracts								
Amount	87	39	49	57	27	27	10	296
Average price (\$/oz)	305	304	312	323	348	357	392	321
Total								
Call option sold and cap agreements	87	539	279	237	127	227	10	1,506
<b>Call options purchased<sup>(iii)</sup></b>								
US\$ denominated								
Amount	395	—	—	—	—	—	—	395
Average price (\$/oz)	461	—	—	—	—	—	—	461
Total								
Firm committed ounces <sup>(iv)</sup>	706	1,671	1,735	1,627	1,418	1,305	2,351	10,813
<b>Barrier call options sold<sup>(v)</sup></b>								
Knock-in (up and in)								
Amount	54	96	182	102	28	—	80	542
Average price (\$/oz)	313	304	295	296	318	—	311	303
Average barrier level (\$/oz)	352	337	323	329	361	—	311	330
Knock out (down and out)								
Amount	55	86	229	170	81	155	504	1,280
Average price (\$/oz)	311	301	305	316	322	353	336	325
Average barrier level (\$/oz)	272	268	263	269	281	278	275	272
Total								
Maximum committed ounces <sup>(vi)</sup>	815	1,853	2,146	1,899	1,527	1,460	2,935	12,635
<b>Barrier call options purchased<sup>(vii)</sup></b>								
Knock-in (down and in)								
Amount	88	117	161	146	128	74	52	766
Average price (\$/oz)	307	310	317	313	316	316	339	315
Average barrier level (\$/oz)	296	297	293	286	283	279	279	288
Knock out (up and out)								
Amount	201	256	242	234	239	174	159	1,505
Average price (\$/oz)	296	299	313	330	350	366	408	333
Average barrier level (\$/oz)	313	320	331	348	361	376	399	331
Total								
Minimum committed ounces <sup>(viii)</sup>	417	1,298	1,332	1,247	1,051	1,057	2,140	8,542
<b>Put options purchased<sup>(ix)</sup></b>								
Amount	847	610	145	170	158	122	229	2,281
Average price (\$/oz)	317	321	407	398	412	403	394	349
<b>Put options sold<sup>(x)</sup></b>								
Amount	815	320	80	80	—	—	—	1,295
Average price (\$/oz)	270	265	250	250	—	—	—	266

# Notes to the Consolidated Financial Statements

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## 17. Fair Value of Financial Instruments with Off-Balance Sheet Risk, Continued

	2003
<b>Silver</b> (000's ounces):	
Fixed forward contracts <sup>(i)</sup>	
Amount	1,400
Average price (\$/oz)	5.66
Call options sold	
Amount	1,200
Average price (\$/oz)	5.50
Total committed	
Amount	2,600
Put options purchased <sup>(ii)</sup>	
Amount	1,200
Average price (\$/oz)	4.90
<b>Copper</b> (millions of pounds):	
Fixed forward contracts <sup>(i)</sup>	
Amount	49.6
Average price (\$/lb)	0.76
Call options sold	
Amount	49.6
Average price (\$/lb)	0.82
Total committed	
Amount	99.2
Put options sold <sup>(ii)</sup>	
Amount	39.7
Average price (\$/lb)	70.3

- (i) **Forward sales contracts**—Forward sales establish a selling price for future production at the time they are entered into, thereby limiting the risk of declining prices but also limiting potential gains on price increases. The types of forward sales contracts used include:
- a) US\$ denominated fixed forward contracts—a sales contract where the interest rate and gold lease rate of the contract are fixed to the maturity of the contract. The average price is based on the price at the maturity of the contract.
  - b) Fixed interest floating lease rate contracts—a sales contract which has the US dollar interest rate fixed to the maturity of the contract. Gold lease rates are reset at rollover dates ranging from 3 months to 4 years. The average price reflects the expected value to maturity of the contracts based on assumed gold lease rates.
  - c) A\$ denominated forward contracts—a sales contract denominated in Australian dollars that has been converted to US dollars at an exchange rate of 1.7649. On a portion of these contracts, the gold lease rates have been fixed to maturity. The remaining contracts include a lease rate allowance or are floating at market rates.
- (ii) **Call options sold and cap agreements**—Call options sold by the Corporation provide the buyer with the right, but not the obligation, to purchase production from the Corporation at a predetermined price on the exercise date of the option. Cap agreements represent sales contracts requiring physical delivery of gold at the prevailing spot price or the cap option price at the expiry date of the contract. Call options and cap agreements are disclosed based on the intended delivery date of the option. The expiry date of the option may differ from the intended delivery date. The average price is based on the exercise price of the options.

(iii) **Call options purchased**—Call options purchased by the Corporation provide the Corporation with the right, but not the obligation, to purchase the commodity from the counter-party at a predetermined price on the exercise date of the option. All call options were purchased in conjunction with a forward sale of the same amount and maturity. Therefore, the amount of call options purchased offsets the committed ounces of the corresponding forward sale. The combined instrument is referred to as a synthetic put.

(iv) **Firm Committed ounces**—Firm committed ounces is the total of forward sales and call options and cap agreements sold net of call options purchased. It does not include any barrier option commitments, whether bought or sold.

(v) **Barrier call options sold**—Barrier call options sold are option contracts denominated in Australian dollars that have been converted to US dollars at an exchange rate of 1.7649. These contracts are similar to standard call options except that they are extinguished or activated when the gold price reaches a predetermined barrier. Barrier options are path-dependent since they are dependent on the price movement of gold during the life of the option or within specified time frames.

Knock-out options consist of down and out options and up and out options. A down and out option will expire early if the gold price trades below the barrier price within specified time frames whereas an up and out option will expire early if the gold price trades above the barrier price within specified time frames.

Knock-in options consist of up and in and down and in options. An up and in option will come into existence if the gold price trades above the barrier price within specified time frames whereas a down and in option will come into existence if the gold price trades below the barrier price within specified time frames.

As of December 31, 2002, the positions disclosed as barrier call options sold have not been extinguished (knocked out) or activated (knocked in) as the gold price has not traded above or below the barrier levels during the specified time frames. In the event these positions are activated they will be reclassified to call options sold.

(vi) **Maximum committed ounces**—Maximum committed ounces is the total of firm committed ounces and barrier call options sold. This total represents the maximum committed ounces in each period, provided the barrier call options sold are not extinguished or are activated and the barrier call options purchased are not activated.

(vii) **Barrier call options purchased**—Barrier call options purchased are option contracts denominated in Australian dollars that have been converted to US dollars at an exchange rate of 1.7649. These contracts are similar to standard call options except that they are extinguished or activated when the gold price reaches a predetermined barrier. Barrier options are path-dependent since they are dependent on the price movement of gold during the life of the option or within specified time frames.

Knock-out options consist of down and out options and up and out options. A down and out option will expire early if the gold price trades below the barrier price within specified time frames whereas an up and out option will expire early if the gold price trades above the barrier price within specified time frames.

Knock-in options consist of up and in and down and in options. An up and in option will come into existence if the gold price trades above the barrier price within specified time frames whereas a down and in option will come into existence if the gold price trades below the barrier price within specified time frames.

As of December 31, 2002, the positions disclosed as barrier call options purchased have not been extinguished (knocked out) or activated (knocked in) as the gold price has not traded above or below the barrier levels during the specified time frames. In the event these positions are activated they will be reclassified to call options purchased.



# Notes to the Consolidated Financial Statements

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- (viii) **Minimum committed ounces**—Minimum committed ounces is the total of firm committed ounces less barrier call options purchased. This total represents the minimum committed ounces in each period, provided the barrier call options sold are extinguished or not activated and the barrier call options purchased are activated.
- (ix) **Put options purchased**—Put options purchased by the Corporation establish a minimum sales price for the production covered by such put options and permit the Corporation to participate in any price increases above the strike price of such put options.
- (x) **Put options sold**—Put options sold by the Corporation are sold in conjunction with a forward sales contract or with the purchase of a higher strike put option. A put option sold gives the put buyer the right, but not the obligation, to sell gold to the put seller at a predetermined price on a predetermined date.

At December 31, 2002, Placer Dome's consolidated foreign currency program consists of:

	2003	2004	2005	2006	2007	Total
<b>Canadian Dollars</b> (millions USD)						
Fixed forward contracts <sup>(i)</sup>						
Amount	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ 8
Average rate [CAD/USD]	1.5177	—	—	—	—	1.5177
Put options sold <sup>(iii)</sup>						
Amount	14	—	—	—	—	14
Average rate [CAD/USD]	1.5925	—	—	—	—	1.5925
Total committed						
Amount	22	—	—	—	—	22
Average rate [CAD/USD]	1.5653	—	—	—	—	1.5653
Call options purchased <sup>(ii)</sup>						
Amount	14	—	—	—	—	14
Average rate [CAD/USD]	1.5207	—	—	—	—	1.5207
<b>Australian Dollars</b> (millions USD)						
Fixed forward contracts <sup>(i)</sup>						
Amount	24	24	24	24	—	96
Average rate [AUD/USD]	1.8864	1.8950	2.0602	2.0670	—	1.9771
Put options sold <sup>(iii)</sup>						
Amount	60	58	39	36	17	211
Average rate [AUD/USD]	1.5854	1.5145	1.6257	1.6374	1.6462	1.5874
Total committed						
Amount	84	82	63	61	17	307
Average rate [AUD/USD]	1.6714	1.6260	1.7905	1.8073	1.6462	1.7094
Call options purchased <sup>(ii)</sup>						
Amount	79	93	39	37	17	265
Average rate [AUD/USD]	1.4170	1.4293	1.5708	1.5390	1.6088	1.4734

- (i) Fixed forward contracts establish an exchange rate of US dollar to the operating currency of the region at the time they are entered into, thereby limiting the risk of exchange rate fluctuations.
- (ii) Call options purchased by the Corporation establish a minimum exchange rate for converting US dollars to the operating currency of the region for the amount hedged, but permit the Corporation to participate in any further weakness in the hedged currency.
- (iii) Put options sold by the Corporation provide the buyer with the right, but not the obligation, to purchase US dollars from the Corporation at a predetermined exchange rate on the exercise date of the options.

## 18. Commitments and Contingencies

- (a) Although the ultimate amount of reclamation and other post-closure obligations to be incurred for existing and past mining interests is uncertain, Placer Dome has estimated its share of these costs to be \$312 million as at December 31, 2002, and has accrued through charges to earnings of \$27 million, \$24 million, and \$24 million in 2002, 2001, and 2000, respectively. The aggregate accrued obligation as at December 31, 2002, included with Deferred credits and other liabilities (note 15), was \$197 million (2001—\$130 million). For information concerning long-term reclamation provisioning and the impact of a change in accounting policy commencing January 1, 2003, note 1 'Reclamation and Closure Costs' section.

With the closure of the Kidston Mine in 2001 and the planned closure of the Golden Sunlight and Misima mines in 2003 and 2004, respectively, and the increase in the accrual for the closed Equity mine, Placer Dome anticipates spending approximately \$28 million on reclamation and closure of these sites over the next 3 years.

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation obligations:

- (i) Placer Dome has provided security in the form of a letter of credit for site rehabilitation and long-term acid drainage treatment at the closed Equity Silver Mine pursuant to the terms of an amended reclamation permit issued by the British Columbia provincial government in 1996. At December 31, 2002, the security provided totalled CAD\$23 million (US\$14 million). As provided for under the amended reclamation permit, the level of security is reviewed approximately every 5 years. In 2001, a review was completed by a committee comprising of government, community and Placer Dome members, and recommendations were provided to the provincial government for their consideration in amending the reclamation permit. The level of security was reduced to approximately CAD\$23 (US\$ 14) million, and the revised amount was posted in 2002. The next review is scheduled for the year 2005 may occur sooner because of the flooding encountered at the site in the spring of 2002.
- (ii) The Golden Sunlight Mine in Montana is required by the state government to provide security by way of a bond for reclamation obligations. The bond, presently at \$55 million, has been guaranteed by the Corporation. The bonding requirement could be incrementally increased to \$63 million over the next six years depending on the amount of new land disturbance that occurs each year. Placer Dome's assessment of the ultimate post-closure expenditures, based on reclamation work done to date, is that they will be substantially less than the \$55 million bonding requirement.

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## 18. Commitments and Contingencies, Continued

- (a)(iii) The Cortez Joint Venture (100%), Getchell and Bald Mountain mines in Nevada have provided securities totalling \$56 million by way of bonds for reclamation obligations to the state government. The bonds have been guaranteed by the Corporation.
- (iv) Placer Dome Asia Pacific has provided bank guarantees totalling A\$61 million (US\$34 million), the majority of which were provided to the Australian State Government for post closure reclamation costs.
- (v) Placer Dome (CLA) Limited has provided letters of credit totalling C\$23 million (US\$14 million) to the Ontario government for reclamation obligations relating to the Campbell, Dome and Musselwhite (PDI share) mines and the closed Detour mine.

(b) In June 1995, in US District Court in Reno, Nevada, Placer Dome US Inc. won a jury verdict against ECM, Inc. ("ECM") concerning charges by ECM of fraud and misrepresentation. On appeal, the Ninth Circuit Court of Appeals affirmed the jury's verdict, but also held that the trial court should not have summarily decided that Placer Dome US did not owe duties to ECM as a tenant in common. On remand, the district court held that the Ninth Circuit had remanded a single claim for violation of an area of influence covenant.

In July 2000, the district court granted Placer Dome's motion for summary judgment on ECM's remaining claim. ECM again appealed to the Ninth Circuit Court of Appeals. While the appellate court upheld the district court's summary judgment ruling, it also held that the district court had erroneously failed to consider ECM's separate claim that Placer Dome US had breached a duty of disclosure to ECM. On December 26, 2001, the appellate court remanded the case to the district court to determine whether summary judgment should have been entered on that claim as well. In March 2002, Placer Dome US asked the district court to grant summary judgment on this remaining claim. The parties have fully briefed this issue and are awaiting the district court's decision. Management believes that it will, on balance, be successful in this matter and, accordingly, no loss accrual has been made.

(c) In September 1996, the Cortez Joint Venture submitted an Amendment to the Pipeline Plan of Operations for the Pipeline Infiltration Project with the Battle Mountain, Nevada Field Office of the Bureau of Land Management. The Plan Amendment expands by 600 acres the area of infiltration that Cortez may use to infiltrate mine dewatering water associated with dewatering of the Pipeline pit. A final Environmental Assessment was issued by the BLM in February of 1999. A Finding of No Significant Impact and Decision Record approving the Plan Amendment was issued by the BLM in March of 1999. In April of 1999, a Notice of Appeal was filed with the Interior Board of Land Appeals by the Western Shoshone Defense Project. In summary, the Western Shoshone Defense Project is alleging that the

Pipeline Infiltration Project will degrade public lands in violation of federal and state law, violates the National Environmental Policy Act, and violates federal mining laws. The IBLA has yet to rule on the merits of this appeal. Mining in accordance with the permit will continue pending a decision from the IBLA. Management believes it will, on balance, be successful on this appeal, and, accordingly, no loss accrual has been made.

(d) In September 1996, the Cortez Joint Venture ("CJV") submitted an Amendment to the Pipeline Plan of Operations for the South Pipeline Project with the Battle Mountain, Nevada Field Office of the Bureau of Land Management ("BLM"). The Plan Amendment allows mining and processing of the South Pipeline deposit. A Record of Decision and Plan of Operations Approval allowing the mining and processing of the South Pipeline deposit (the "permit") was issued by the BLM in June of 2000. In July of 2000, a Notice of Appeal and Petition for Stay Pending Appeal was filed with the Interior Board of Land Appeals ("IBLA") by Great Basin Mine Watch, the Western Shoshone Defense Project and the Mineral Policy Center. On January 9, 2001, the IBLA denied the petition for stay. A review of the merits of the appeal by the IBLA is pending. Mining in accordance with the permit will continue pending a decision from the IBLA. Management believes it will, on balance, be successful on this appeal, and, accordingly, no loss accrual has been made.

(e) Much of the Corporation's mineral reserves and operations within the US occur on unpatented lode mining claims and mill sites that are on federal lands pursuant to the federal mining laws. The US Department of Interior ("Interior Department") issued a legal opinion on November 7, 1997, which limited the number of mill sites which could be located based upon a one-to-one ratio between the number of mill sites and the associated mining claims. In November of 1999, the US Congress, as part of the fiscal year 2000 Interior Appropriations legislation, precluded the Interior Department, for fiscal years 2000 and 2001, from applying the mill site ratio requirement to those mining operations which had an approved or pending plan of operations as of the date of the 1997 Solicitor's opinion.

On October 3, 2001, the Department of Interior instructed the BLM not to apply the previous administration's mill site limitation to any plans of operations that the BLM approved before November 29, 1999 or that were submitted to the BLM before November 7, 1997. Further, the Department of Interior instructed its Solicitor to undertake a review of the previous mill site opinions and memoranda.



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On November 21, 2000, the Interior Department issued a final rule amending the 43 C.F.R. Subpart 3809 regulations which govern reviews and approvals of mining plans of operations. This rule, which took effect on January 20, 2001, increased the BLM's regulatory authority and imposed new requirements for mining operations on federal lands. In response to concerns raised by the mining industry and certain western states, on October 30, 2001, the BLM issued further revisions to the 3809 regulations which removed many of the most burdensome provisions and performance standards from the November 21, 2000 rule. The latest revised regulations are currently the subject of a lawsuit filed by environmental groups in the US District Court for the District of Columbia.

- (f) The Golden Sunlight Mine is presently a co-defendant with the Montana Department of Environmental Quality ("DEQ") in a lawsuit filed in the Montana District Court by five environmental groups against the Record of Decision that was issued by the DEQ on June 29, 1998. The lawsuit alleges that the expansion approval by DEQ violates certain Montana regulations and the Montana Constitution because the permit conditions do not include certain reclamation requirements, primarily the partial backfilling of the open pit, the cost of which has been estimated at approximately \$20 million. No additional closure accruals have been made for the partial backfill option. The plaintiff groups filed a Motion for Summary Judgment on the issues, and in February 2000, the court ruled that the Montana Metal Mine Reclamation Act required the DEQ to impose a partial pit backfilling requirement.

In a Special Session of the Montana Legislature (the "Legislature") held in May 2000, the Legislature enacted an amendment to the statute in question which provides that backfilling open pits is not required unless necessary to meet air and water quality standards. Following that amendment, the DEQ affirmed its earlier Record of Decision. The plaintiffs then filed an amended complaint generally challenging the new affirmance and the constitutionality of the new enactment, followed by a motion for summary judgment seeking a declaration that the May 18, 2000 enactment violates the constitution by not requiring backfill, and that the Record of Decision based on the enactment should be set aside. On March 21, 2002, the District Court ruled that Section 82-4-336(9)(c) of the Montana Metal Mine Reclamation Act ("MMRA") violates the Montana Constitution as it eliminates an effective reclamation tool, and that the Record of Decision based thereon should be set aside. On June 27, 2002, the Court entered the judgement based on the March 21 ruling. The judgement requires the DEQ to proceed to implement partial backfill as the reclamation option for amendment 010 to the Golden Sunlight operating plan in accordance with the procedures required by the MMRA and

to make appropriate adjustments to the reclamation bond sufficient to ensure reclamation under the partial pit backfill alternative. In accordance with these procedures, Golden Sunlight has presented its concerns as to the unsuitability of backfill as the appropriate method of pit reclamation in a submission required pursuant to an October 23, 2002 Order from the DEQ. This submission also seeks an appropriate amendment to the Record of Decision. The plaintiff groups have asked the district court to require the agency to require Golden Sunlight to post additional bond, during the pendency of proceedings examining the suitability of the partial backfill option, to assure execution of the partial backfill option if it is selected. Both the DEQ and Golden Sunlight have asked the District Court to confirm the DEQ decision that the bond will be adjusted as necessary only following a decision finally selecting the mine pit reclamation alternative. Meanwhile, an appeal of the underlying district court decision invalidating the most recent statute and the previous DEQ decision has been initiated in the Montana Supreme Court. Golden Sunlight believes that the final record will support a more environmentally sound pit reclamation alternative than partial backfill and accordingly no additional closure accrual has been made. Mining in accordance with the permit is expected to continue during these proceedings.

- (g) In September 2002 Placer Dome Canada Limited ("PDC") lost a tax appeal in the Ontario Superior Court related to a reassessment of Ontario mining taxes for the 1995 and 1996 taxation years. On the basis of the decision, income for Ontario mining tax purposes will increase by approximately \$11 million for the years in question resulting in taxes and related interest of \$1 million. Late in the fourth quarter of 2002 Placer Dome (CLA) Limited ("PDCLA"), the successor to PDC through amalgamation, was reassessed with respect to the same issue for the 1997 and 1998 taxation years. Income for Ontario mining tax purposes will increase by approximately \$83M for these two taxation years and the taxes and related interest total \$14 million. PDC and PDCLA paid all taxes and related interest up and including the 1997 taxation year by December 31, 2002 and paid the 1998 reassessment liability early in January 2003. The Corporation has filed an appeal of the decision to the Ontario Court of Appeal and expects the case to be heard in the fourth quarter of 2003. Despite the ruling at the Superior Court level, outside counsel's view is that on balance, Placer Dome should prevail on appeal. Should Placer Dome lose however, the total cash tax payable would be approximately \$60 million of which \$15 million has been paid as noted above.

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18. Commitments and Contingencies, Continued

(h) On October 10, 2002, the Mineral and Petroleum Resources Development Act No. 28, 2002 (the “Act”) was promulgated into law by publication in the South African Government Gazette. The Act will come into operation on a date fixed by the President by proclamation. It is expected that commencement of the Act will not be proclaimed until the related instruments (including regulations and the Charter and money bill discussed below) have been introduced, finalized and brought into operation.

The Act provides for state custodianship of mineral resources and the government becomes the grantor of prospecting, mining, exploration as well as production rights. Holders of old-order mining rights will have five years to lodge their rights for conversion into new mining rights in terms of the Act. The conversion requirements are set out in the Act. Old order mining rights will continue in force during the conversion period.

The Act calls for the development of a broad-based socio-economic empowerment Charter (the “Charter”) that will set out the framework, targets and time-table for increasing the participation of historically disadvantaged South Africans (“HDSAs”) in the mining industry, and enhancing the benefits to HDSAs from the exploitation of mining and mineral resources. On October 11, 2002, the South African government released the draft of the Charter and on February 18, 2003, the government released an appendix to the Charter known as the Scorecard, which is designed to facilitate the application of the Charter in terms of the requirements for conversion of old order mining rights under the Act. The Charter is based on seven key principles, of which five are operationally oriented and cover areas focused on bettering conditions for HDSAs, and two of which are focused on HDSA ownership targets and beneficiation. The Charter contains targets to increase HDSA ownership of South African mining industry assets to 26% over 10 years. The government has indicated an interim target of 15% over 5 years. The Charter states that the transfer of ownership in the industry must take place in a transparent manner and for fair market value. It also states that the South African mining industry will assist HDSA companies in securing financing to fund participation, in the amount of 100 billion rand within the first five years. The Charter does not specify the nature of the assistance to be provided.

The five operational focus areas of the Charter include human resource development; employment equity including HDSA participation in management and participation by women; HDSA participation in procurement; improved housing and living conditions for mine employees; and community and rural development.

The Act also allows for the payment by mining rights holders of a state royalty to be prescribed in a separate money bill. To date, no such money bill has been introduced in Parliament or released for public comment.

At present, the financial implications of various pieces of the new legislation cannot be assessed, therefore Placer Dome is not in a position to quantify either the increase in costs or the other impacts of the proposed royalty and Charter targets on operations at South Deep. Depending on the final provisions of the new legislation, there is a possibility of a material increase in costs to the operations at South Deep. Placer Dome will continue to monitor closely the progress of the Act and related instruments and assess their impact on current operations and future development at South Deep.

- (i) At December 31, 2002, Placer Dome has outstanding commitments aggregating \$30 million under capital expenditure programs, primarily at the South Deep mine.
- (j) Placer Dome is subject to various investigations, claims and legal and tax proceedings covering a wide range of matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Placer Dome. The Corporation has established accruals for matters that are probable and can be reasonably estimated. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial position or results of operations of the Corporation.

19. Pension Plans

Placer Dome has both defined benefit and defined contribution pension plans covering substantially all of its employees. Pension benefits are based, in defined benefit plans, on employees’ earnings and/or years of service. The defined benefit plans are funded currently by contributions from the Corporation or its subsidiaries, based on periodic actuarial estimates and statutory requirements. Contributions to defined contribution plans are based on specified percentages of salaries.



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Pension expenses are comprised of:

Years ended December 31	2002	2001	2000
Defined benefit plans:			
Service costs (benefits earned during the period)	\$ 8	\$ 6	\$ 6
Interest costs on projected benefit obligations	9	8	8
Expected return on plan assets	(8)	(7)	(8)
	9	7	6
Defined contribution plans	1	3	3
	\$ 10	\$ 10	\$ 9

The status of defined benefit plans as at December 31, 2002 and 2001 is as follows:

	Plans where assets exceed accumulated benefits		Plans where accumulated benefits exceed assets	
December 31	2002	2001	2002	2001
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 55	\$ 86	\$ 37	\$ 30
Actual return on plan assets	(4)	(9)	(3)	(1)
Employer contribution	1	1	6	3
Benefits paid	(10)	(8)	(7)	(3)
Reclassification of balance at beginning of year <sup>(i)</sup>	(20)	(9)	20	9
Other <sup>(iii)</sup>	13	(6)	—	(1)
Fair value of plan assets at end of year	35	55	53	37
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	52	64	70	58
Service cost	4	3	4	3
Interest cost	2	3	7	4
Actuarial loss (gain)	(2)	2	5	1
Benefits paid	(10)	(9)	(7)	(3)
Reclassification of balance at beginning of year <sup>(i)</sup>	(28)	(9)	28	9
Other <sup>(iii)</sup>	12	(2)	—	(2)
Benefit obligations at end of year	30	52	107	70
<b>Plan assets in excess of (less than) projected benefit obligations</b>	5	3	(54)	(33)
Unamortized transition surplus	—	(3)	3	1
Unamortized experience loss	6	11	29	7
<b>Accrued pension asset (liability) <sup>(iv)</sup></b>	11	11	(28)	(25)
<b>Amounts recognized on the consolidated balance sheets consists of:</b>				
Accrued pension asset (liability)	11	11	(28)	(25)
Additional minimum pension liability <sup>(iv)</sup>	—	—	(16)	—
Intangible asset <sup>(iv)</sup>	—	—	2	—
Accumulated other comprehensive income	—	—	14	—
<b>Net amount recognized on consolidated balance sheets <sup>(iv)</sup></b>	\$ 11	\$ 11	\$ (28)	\$ (25)

(i) Due to movement of pension plans from net funded to net unfunded positions.

(ii) Substantially all of the \$28 million (2001—\$25 million) which is unfunded relates to plans that, at this time, cannot be funded by tax deductible contributions.

(iii) Includes the balances of AurionGold Limited at beginning of year.

(iv) The additional minimum liability represents the excess of the unfunded accumulated benefit obligation over the net accrued pension liability on the balance sheets. An amount equal to the unrecognized prior service costs is set up as an intangible asset, with the remaining difference recognized as a reduction to other comprehensive income.

In determining the present value of accumulated plan benefits and current service pension cost as of December 31, 2002, the weighted average discount rates and expected rates of return on plan assets used vary from 5.5% to 8% (2001—6% to 8%) and the salary escalation rates assumed vary from 3% to 4% (2001—3% to 4%). The rates used reflect management’s and actuarial assessments of the economic conditions in each of the countries in which Placer Dome operates. The amortization periods for unrecognized gains, losses, surpluses and deficits associated with pension plans vary from 11 to 17 years and are based on the expected average remaining service life of each employee group.

## 20. Supplementary Information

(a) Change in non-cash operating working capital comprise:

Years ended December 31	2002	2001	2000
Accounts receivable	\$ (5)	\$ 47	\$ (59)
Inventories	(6)	34	4
Accounts payable and accrued liabilities	(12)	(59)	(29)
Income and resource taxes payable	8	2	(4)
Change in non-cash operating working capital	\$ (15)	\$ 24	\$ (88)

# Notes to the Consolidated Financial Statements

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## 20. Supplementary Information, Continued

(b) The following tables present additional financial information related to proportionate interests in joint ventures and equity investments.

	Proportionate Interests in Joint Ventures <sup>(i)</sup>		Equity Investments <sup>(i)</sup>	
	2002	2001	2002	2001
Current assets	\$ 139	\$ 106	\$ 12	\$ 12
Non-current assets	893	961	67	77
Current liabilities	135	129	8	6
Non-current liabilities	512	480	71	74

	Proportionate Interests in Joint Ventures <sup>(i)</sup>			Equity Investments <sup>(i)</sup>		
	2002	2001	2000	2002	2001	2000
Revenues	\$ 511	\$ 476	\$ 500	\$ 46	\$ 40	\$ 49
Cost and expenses	358	387	514	46	45	60
Earnings (loss) before taxes and other items	153	89	[14]	—	[5]	[11]
Net earnings (loss) before effect of change in accounting policy	130	116	17	2	[4]	[8]
Net earnings (loss) after effect of change in accounting policy	122	116	22	2	[4]	[8]

(i) Includes the Corporation's joint venture interests in the Musselwhite, Cortez, Granny Smith (see note 3(a)), Porgera (see note 3(a)) and South Deep mines. The results of Granny Smith are included for the period ended October 22, 2002, when Placer Dome acquired control of AurionGold, which owned the remaining 40% of the Granny Smith Joint Venture.

(iii) Includes the Corporation's equity investments in La Coipa Mine.

(c) Other comprehensive income comprises:

	Unrealized gains on securities	Cumulative foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized Hedging	Total
Opening, December 31, 1999	4	[29]	—	—	[25]
Unrealized change	1	—	—	—	1
Tax related to unrealized	—	—	—	—	—
Reclassification to net earnings	(4)	—	—	—	(4)
Closing, December 31, 2000	1	[29]	—	—	[28]
Unrealized change	—	—	—	2	2
Tax related to unrealized	—	—	—	(1)	(1)
Reclassification to net earnings	—	[21]	—	—	(21)
Closing, December 31, 2001	1	[50]	—	1	(48)
Unrealized change	5	—	[14]	4	(5)
Tax related to unrealized	—	—	4	(1)	3
Closing, December 31, 2002	6	[50]	[10]	4	[50]

(d) The consolidated financial statements in accordance with Canadian GAAP (in US dollars) are included in the Management Proxy Circular and Statement and filed with various Canadian regulatory authorities. The following is a reconciliation of the net earnings (loss) between the US and Canadian basis:

Years ended December 31	Consolidated Statement of earnings <sup>(i)</sup>								
	2002			2001			2000 <sup>(i)</sup>		
	US basis	Adjustments	Cdn basis	US basis	Adjustments	Cdn basis	US basis	Adjustments	Cdn basis <sup>(i)</sup>
Sales	\$ 1,209	\$ 50	\$ 1,259	\$ 1,223	\$ 43	\$ 1,266	\$ 1,413	\$ 51	\$ 1,464
Cost of sales	698	42	740	705	57	762	727	67	794
Depreciation and depletion	187	26	213	182	36	218	244	7	251
Mine operating earnings	324	[18]	306	336	[50]	286	442	[23]	419
General and administrative	40	—	40	41	—	41	43	—	43
Exploration	52	—	52	44	—	44	56	1	57
Resource development, technology and other	55	—	55	56	—	56	55	—	55
Write-downs of mining interests <sup>(iii, iv)</sup>	—	—	—	301	30	331	377	462	839
Operating earnings (loss)	177	[18]	159	[106]	[80]	[186]	[89]	[486]	[575]
Non-hedge derivative gains (losses) <sup>(vi)</sup>	3	[15]	[12]	[29]	28	[1]	[37]	42	5
Investment and other business income <sup>(vi, vii)</sup>	39	1	40	42	[22]	20	122	[4]	118
Interest and financing <sup>(vi, viii)</sup>	[66]	23	[43]	[70]	23	[47]	[75]	23	[52]
Earnings (loss) before taxes and other items	153	[9]	144	[163]	[51]	[214]	[79]	[425]	[504]
Income and resource taxes	[34]	9	[25]	36	[5]	31	6	152	158
Equity in earnings (loss) of associates <sup>(i)</sup>	5	[5]	—	[1]	1	—	[4]	4	—
Minority interests <sup>(i)</sup>	—	—	—	[5]	—	[5]	2	[3]	(1)
Change in accounting policy <sup>(iii)</sup>	[8]	8	—	—	—	—	[17]	17	—
Net earnings (loss)	\$ 116	\$ 3	\$ 119	\$ [133]	\$ [55]	\$ [188]	[92]	\$ [255]	\$ [347]
Net earnings (loss) per common share	\$ 0.33	\$ 0.03	\$ 0.30	\$ [0.41]	\$ [0.21]	\$ [0.62]	\$ [0.28]	\$ [0.82]	\$ [1.10]



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- (i) The investments in MDO (50%), and Minera Las Cristinas C.A. (70% ownership until Placer Dome divested its interest in July 2001) are in the form of incorporated joint ventures. Under the US basis, MDO was equity accounted for and Las Cristinas was fully consolidated. Under the Canadian basis these joint ventures were proportionately consolidated.
- (ii) During the fourth quarter of 2002, Placer Dome changed its accounting policy for US GAAP, retroactive to January 1, 2002, with respect to depreciation and depletion of property, plant and equipment to exclude future estimated mining and development costs (note 2(a)). For Canadian GAAP this was applied retroactively with restatement of 2001 and 2000 comparative figures. The net impact was to reduce 2001 income by \$8 million or \$0.03 per share with no impact on 2000.
- (iii) Following the adoption of SAB 101 under US GAAP in 2000 (note 2(e)), Placer Dome adopted the same policy under Canadian GAAP in the first quarter of 2001 for consistency, although the change was not required under Canadian GAAP. The new policy was applied retroactively with restatement of 2000 comparative figures. The net impact of the restatement was to decrease the 2000 consolidated loss by \$11 million (\$0.04 per share).
- (iv) Under the Canadian basis, the Getchell acquisition was accounted for by the purchase method compared with the pooling of interests method under US GAAP. Getchell was subject to two separate write-downs with the additional write-downs under Canadian GAAP of \$27 million in 2001 and \$585 million in 2000 being related to the value ascribed to exploration potential.
- (v) Under the US basis, impairment provisions on long-lived assets are calculated on a fair value basis whereas under the Canadian basis they are calculated on an undiscounted basis.
- (vi) Under US GAAP, metals option (puts and calls) contracts which are not settled through physical delivery and foreign currency forward and option (puts and calls) contracts that are used for managing non-specific foreign cost exposures are marked-to-market with the change in value recorded in earnings in the period as non-hedge derivative gains (losses). Under Canadian GAAP, all such contracts are accounted for off balance sheet with the exception of open call positions which commencing October 1, 2000, following the adoption of Canadian Institute of Chartered Accountants Emerging Issues Committee Abstract of Issues Discussed EIC-113, now follow the same accounting as US GAAP. Under Canadian GAAP, gains (losses) realized on metals option contracts are included in sales, and gains (losses) realized on foreign currency forward and option contracts are included in cost of sales.
- (vii) As disclosed in Note 14, Preferred Securities under the US basis are accounted for as long-term debt. Under the Canadian basis, these securities are accounted for as equity with the related interest expense reported as dividend. On redemption of the Preferred Securities, gains are reported in the statement of earnings as investment income under the US basis, whereas under the Canadian basis, they are credited to contributed surplus in shareholders' equity.
- (viii) Included in US GAAP investment income in 2001 is \$21 million related to the cumulative translation adjustment recognized on the closure of the Kidston Mine. Under Canadian GAAP, the cumulative translation adjustment related to Kidston Mine was nil. The use of the different exchange rates and the different adoption dates for Canadian and US GAAP purposes gave rise to a difference in the cumulative translation adjustment account within shareholders' equity. Effective January 1, 1991 the Corporation adopted the US dollar as its reporting currency. Prior to this change the Canadian dollar had been used as the reporting currency. Under the Canadian basis the Corporation's financial statements for all years prior to January 1, 1991 have been translated from Canadian dollars to US dollars using the exchange rate in effect at December 31, 1990. Under the US basis pre-1991 financial statements must be translated by the current rate method using year-end or annual average exchange rates, as appropriate. This translation approach has been applied from August 13, 1987, the date the Corporation was formed by the amalgamation of three predecessor companies.
- (ix) Under the US basis, a portion of all Placer Dome Inc.'s interest costs incurred must be capitalized as part of the cost of a project under development, and subsequently amortized when operations commence. Under the Canadian basis, interest is capitalized on a mine development project only if the indebtedness is specifically incurred, either directly or indirectly, to finance the project.

## 21. Subsequent Events

- (a) On January 31, 2003, Placer Dome repaid \$137 million of debt assumed in the purchase of AurionGold with cash (see note 14(c)).
- (b) On February 11, 2003, Placer Dome announced that it had exercised its option to become joint venture manager and earn an additional 40% interest, for a total of 70%, in the Donlin Creek project from NovaGold Resources Inc. Placer Dome can vest its additional 40% if it expends a minimum of \$30 million, completes a feasibility study and makes a decision to construct a mine on the property at a production rate of not less than 600,000 ounces of gold per year by November 13, 2007. If Placer Dome chooses to terminate such expenditures and not to complete its earn-in, joint venture management would revert to NovaGold and Placer Dome retains its 30% participating interest.

Financial Summary <sup>(1)</sup>

(millions of United States dollars, except per share amounts or as otherwise indicated)	2002	2001	2000	1999	1998
<b>Earnings—</b>					
Sales	\$ 1,209	\$ 1,223	\$ 1,413	\$ 1,162	\$ 1,145
Cost of sales	698	705	727	641	599
Depreciation and depletion	187	182	244	182	189
<b>Mine operating earnings</b>	324	336	442	339	357
General and administrative	40	41	43	43	47
Exploration	52	44	56	56	90
Technology, resource development and other	55	56	55	43	29
Merger and restructuring costs	—	—	—	49	—
Write-down of mining interests	—	301	377	46	—
<b>Operating earnings (loss)</b>	177	(106)	(89)	102	191
Non-hedge derivative gains (losses)	3	(29)	(37)	46	(54)
Investment and other income	39	42	122	13	31
Interest and financing expense	(66)	(70)	(75)	(80)	(74)
<b>Earnings (loss) before taxes and others items</b>	153	(163)	(79)	81	94
Income and resource taxes	(34)	36	6	(62)	(62)
Change in accounting policy	(8)	—	(17)	(10)	—
Equity in earnings (loss) of associates	5	(1)	(4)	23	19
Minority interests	—	(5)	2	3	(1)
<b>Net earnings (loss)</b>	\$ 116	\$ (133)	\$ (92)	\$ 35	\$ 50
<b>Per Common share</b>					
Net earnings (loss)	\$ 0.33	\$ (0.41)	\$ (0.28)	\$ 0.11	\$ 0.15
Dividends per Common share	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
<b>Weighted average number of Common shares outstanding (millions)</b>	349	328	328	326	324
<b>Financial position <sup>(4)</sup>—</b>					
Cash and short-term investments	\$ 544	\$ 439	\$ 340	\$ 204	\$ 547
Other current assets	311	262	375	322	294
Investments	53	58	66	88	533
Other assets	382	169	216	175	208
Property, plant and equipment	2,695	1,683	1,975	2,464	1,534
<b>Total assets</b>	\$ 3,985	\$ 2,611	\$ 2,972	\$ 3,253	\$ 3,116
Current liabilities	\$ 571	\$ 202	\$ 260	\$ 290	\$ 232
Long-term debt	607	807	843	905	939
Deferred credits and other liabilities	453	192	168	195	208
Deferred income and resource taxes	195	67	188	224	125
Shareholders' equity	2,159	1,343	1,513	1,639	1,612
<b>Total liabilities and equity</b>	\$ 3,985	\$ 2,611	\$ 2,972	\$ 3,253	\$ 3,116
<b>Return on shareholders' equity <sup>(2)</sup></b>	7%	(9%)	(6%)	2%	6%
<b>Working capital</b>	\$ 284	\$ 499	\$ 455	\$ 236	\$ 609
<b>Long-term debt to total capitalization</b>	18%	33%	31%	31%	33%
<b>Cash flows—</b>					
Cash from operations	\$ 320	\$ 340	\$ 343	\$ 301	\$ 305
Investing activities—					
Property, plant and equipment	(127)	(192)	(142)	(159)	(160)
Investment acquisitions	(47)	—	—	(461)	(29)
Short-term investment	(1)	3	4	103	(71)
Dispositions	17	8	17	4	32
Loans to joint ventures	—	—	—	34	46
Other	4	4	14	10	10
Financing activities—					
Short and long-term debt, net	(34)	(34)	(62)	(59)	(13)
Shares issued (redeemed)	18	11	1	16	70
Dividends	(46)	(38)	(35)	(29)	(28)
Effect of exchange rates	—	—	—	—	—
<b>Increase (decrease) in cash</b>	\$ 104	\$ 102	\$ 140	\$ (240)	\$ 162

(Notes: refer to page 81 of this document for notes to this table)



Notes to Financial Summary

1. Amounts in this table reflect the following significant transactions:

- (i) The Getchell Mine in the US temporarily suspended operations in July 1999. The mine was subsequently written off in 2001.
- (ii) The acquisition on April 1, 1999 of a 50% interest in the Placer Dome—Western Areas Joint Venture, which owns and operates the South Deep gold mine in South Africa;
- (iii) The acquisition on December 13, 1999 of the remaining 50% of Compañía Minera Zaldívar ("CMZ") which owns and operates the Zaldívar copper mine in Chile; and
- (iv) In December 2000, CMZ completed the sale of some of its water rights for a sum of \$135 million receivable in 15 equal annual installments commencing July 1, 2001. This resulted in a gain of million (\$49 million after tax).
- (v) On October 22, 2002, Placer Dome gained control of AurionGold Limited, by issuing 77,934,094 shares and cash of \$63 million. This increases the Corporation's ownership in Granny Smith and Porgera Mines to 100% and 75% from 60% and 50% respectively as well as adding the Henty, Kalgoorlie West and Kanowna Belle mines to the company's holdings.

(vi) Effective July 1, 2002, Placer Dome and Kinross Gold Corporation formed the Porcupine Joint Venture which combined the operations of the Dome mine and mill, with Kinross' Hoyle Pond, Pamour and Nighthawk Lakes mines as well as the Bell Creek mill. Placer Dome owns a 51% interest in the joint venture.

- 2. Comprises net earnings (loss) divided by the average shareholders' equity for each year.
- 3. Total capitalization comprises long-term debt and other non-current liabilities, deferred income and resource taxes, minority interests in subsidiaries and shareholders' equity.
- 4. See note 18 to the consolidated financial statements for information concerning certain commitments and contingencies at December 31, 2001.

Operating Summary

Results of the Corporation, its subsidiaries and a pro-rata share of joint ventures.	2002	2001	2000	1999	1998
<b>Production—</b>					
Gold (thousands of ozs)					
Consolidated	2,756	2,776	3,024	3,212	3,153
The Group's share	2,823	2,756	2,984	3,149	3,111
Copper (million of lbs)					
Consolidated	427	417	430	109	79
The Group's share	427	417	430	267	228
<b>Average selling price realized—</b>					
Gold (\$/oz)					
The Group's share	342	326	346	341	344
<b>Average cash production cost—</b>					
Gold (\$/oz)					
Consolidated	173	173	171	179	182
The Group's share	178	175	172	175	178

Market Information

The Corporation’s common shares (the “Common Shares”) are listed on the New York Stock Exchange in the United States, the Toronto Stock Exchange in Canada, the Australian Stock Exchange in Australia, Euronext—Paris in France and the Swiss Exchange in Switzerland. The Common Shares are listed under the stock symbol PDG.

International Depositary Receipts representing the Common Shares are listed on Euronext—Brussels in Belgium.

Electronic trading of Common Shares in Australia has been facilitated through CHESS Depository Instruments (“CDIs”). CDIs are units of beneficial ownership in securities of the

Corporation held by CHESS Depositories Nominees Pty. Ltd. (“CDN”), a wholly owned subsidiary of the Australian Stock Exchange. The main difference between holding CDIs and holding Common Shares is that the holder of CDIs has beneficial ownership of the underlying Common Shares instead of legal title. Legal title is held by CDN. The Common Shares are registered in the name of CDN and held in trust by CDN for the benefit of the CDI holder.

The Toronto Stock Exchange and the New York Stock Exchange are the principal exchanges on which the Common Shares are traded. Shown below are high and low sale prices for the Common Shares for each of 2002 and 2001.

Share Price History

	2002		2001	
	High	Low	High	Low
<b>Toronto Stock Exchange</b> (Canadian dollars)				
First quarter	\$ 22.05	\$ 16.42	\$ 16.16	\$ 12.00
Second quarter	22.57	16.92	19.16	13.20
Third quarter	17.60	12.52	21.25	14.59
Fourth quarter	18.59	12.66	20.98	15.45
<b>New York Stock Exchange</b> Composite Transactions (United States dollars)				
First quarter	\$ 13.85	\$ 10.34	\$ 10.45	\$ 7.88
Second quarter	14.74	11.15	12.48	8.38
Third quarter	11.99	7.91	13.48	9.52
Fourth quarter	11.90	7.97	13.36	8.75

The Corporation’s 8 5/8% Series A Preferred Securities, due December 31, 2045, are listed on the New York Stock Exchange.

Placer Dome’s Global Perspective





### Shareholders

The Corporation had 16,656 registered shareholders of record as at February 19, 2003. The Articles and by-laws of the Corporation contain no restrictions on the right to hold or vote the Corporation's Common Shares. There are no government laws, decrees or regulations in Canada which restrict the export or import of capital (including foreign exchange controls), or which affect the remittance of dividends or other payments to non-resident shareholders, subject to applicable withholding taxes discussed below.

### Shareholders' Rights Plan

Placer Dome first adopted a shareholders' rights plan (the "Rights Plan") in 1990. The current Rights Plan was approved by shareholders at the 2001 annual general meeting.

Under the Rights Plan, each "Voting Share" issued prior to the Separation Time (as defined below) carries with it one right (a "Right"). A Voting Share is any share or voting interest issued by the Corporation (collectively, the "Voting Shares") entitled to vote generally in the election of directors. The only Voting Shares currently outstanding are the Common Shares. Each Right carries with it the right to purchase shares in Placer Dome, at a discounted price, under certain circumstances and in the event of particular hostile efforts to acquire control of Placer Dome. The Rights are currently not exercisable and Rights certificates will not be distributed until certain specified events cause the Rights to separate from the Voting Shares (the "Separation Time"). Pending separation, the Rights will be evidenced by and trade with the Voting Shares. The Rights will expire no later than the termination of Placer Dome's annual meeting in 2004. The Rights may be redeemed at a price of Cdn\$0.001 per right prior to a specified event but in certain cases, only following approval by a majority of the votes cast by independent shareholders at a special meeting of shareholders.

If a person or group acting in concert acquires 20% or more of the Common Shares (or other class of Voting Shares) in a transaction that is not a "Permitted Bid" or a "Competing Permitted Bid", the Rights will become exercisable and entitle the holders thereof (other than the acquiring person or group) to purchase Common Shares at a 50% discount from the Market Price (as defined). The Rights are not triggered by a "Permitted Bid", which is essentially a takeover bid made to all shareholders for any or all of their shares. The "Permitted Bid" must be made by way of a circular bid in compliance with securities laws and must comply with

other conditions, including the condition that no shares be taken up for 60 days following the bid and then only if more than 50% of the then outstanding Common Shares held by independent shareholders have been tendered to the bid. A "Competing Permitted Bid" is a take-over bid made after a "Permitted Bid" has been made and prior to its expiry that satisfies all of the provisions of a "Permitted Bid", except that it must remain open for acceptance until a date that is not earlier than the later of 21 days after the "Competing Permitted Bid" is made and 60 days after the date of the earliest prior bid in existence when the "Competing Permitted Bid" is made. The entering into of certain revocable lock-up agreements to tender Common Shares into a takeover bid will not trigger the Rights.

### Dividends

Dividends of \$0.05 per Common share were paid on March 18 and September 23, 2002. A semi-annual dividend of \$0.05 per Common share was declared on February 19, 2003, payable on April 7, 2003 to shareholders of record at the close of business on March 7, 2003.

Dividends are declared in United States dollars. Shareholders with addresses in Canada and Australia are currently paid the equivalent amount in Canadian and Australian dollars. Cash dividends paid to non-residents of Canada are generally subject to Canadian withholding tax at the rate of 25%. Subject to certain filing requirements, under the terms of tax conventions, shareholders resident in the United States and Australia are subject to withholding tax of 15%.

The decision to pay dividends and the amount thereof is at the discretion of the Board of Directors of the Corporation and is governed by such factors as earnings, capital requirements and the operating and financial condition of the Corporation.



Directors

**G. BERNARD COULOMBE**<sup>(3)</sup>  
Asbestos, Quebec, Canada  
*Mining Consultant*

**JOHN W. CROW**<sup>(1,4)</sup>  
Toronto, Ontario, Canada  
*President, J & R Crow Inc.*

**GRAHAM FARQUHARSON**<sup>(2,3)</sup>  
Toronto, Canada  
*President, Strathcona Mineral Services Limited*

**ROBERT M. FRANKLIN**<sup>(2,4)</sup>  
Willowdale, Ontario, Canada  
*President, Signalta Capital Corporation;  
Non-Executive Chairman of  
the Board of the Corporation*

**DAVID S. KARPIN**<sup>(1,3)</sup>  
Toorak, Victoria, Australia  
*Executive Chairman,  
Karpin Slaughter Ltd.*

**ALAN R. MCFARLAND**<sup>(1)</sup>  
New York, New York, USA  
*Managing Member, McFarland,  
Dewey & Co., LLC*

**CLIFFORD L. MICHEL**<sup>(4)</sup>  
Gladstone, New Jersey, USA  
*Senior Counsel, Cabill Gordon  
& Reindel*

**EDYTHE A.  
PARKINSON-MARCOUX**<sup>(2,3)</sup>  
Canmore, Alberta, Canada  
*Consultant and Strategic Advisor,  
Southern Pacific Petroleum and  
Enslyn Group Inc.*

**JAY K. TAYLOR**  
Blaine, Washington, USA  
*President and CEO of the Corporation*

**VERNON F. TAYLOR III**<sup>(2)</sup>  
Oak Creek, Colorado, USA  
*Co-Chairman, Optigas Inc.*

**WILLIAM G. WILSON**<sup>(1,4)</sup>  
Dublin, County Dublin, Ireland  
*Business Consultant*

Chairman Emeritus

**FRASER M. FELL**  
Toronto, Canada

Directors Emeriti

**ALBERT E. GAZZARD**  
Sydney, Australia

**ALFRED POWIS**  
Toronto, Canada

**H. RICHARD WHITTALL**  
Vancouver, Canada

Executive Officers

**JOSEPH L. DANNI**  
*Vice-President, Corporate Relations*

**KEITH D. FERGUSON**  
*Vice-President, Safety and Sustainability*

**JENNIFER A. GORDON**  
*Senior Vice-President, Human Resources*

**GEOFFREY A. HANDLEY**  
*Executive Vice-President,  
Strategic Development*

**WILLIAM M. HAYES**  
*Executive Vice-President, United States  
and Latin America*

**REX J. MCLENNAN**  
*Executive Vice-President and  
Chief Financial Officer*

**BRUCE B. NICOL**  
*Vice-President and Controller*

**GEORGE N. PASPALAS**  
*Executive Vice-President, South Africa*

**GEORGE E. PIRIE**  
*Executive Vice-President, Canada*

**J. DONALD ROSE**  
*Executive Vice-President, Secretary  
and General Counsel*

**JAY K. TAYLOR**  
*President and Chief Executive Officer*

**PETER TOMSETT**  
*Executive Vice-President, Asia Pacific*

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Regional Offices

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Tel: (303) 675-0055  
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**PLACER DOME ASIA PACIFIC**  
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**PLACER DOME CANADA**  
PO Box 43  
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Fax: (416) 868-0693

**PLACER DOME LATIN AMERICA**  
Av. Gertrudis Echeñique 30  
14th Floor  
Torre Las Condes  
Las Condes, Santiago, Chile  
Tel: (2) 206-3535  
Fax: (2) 206-6605

**PLACER DOME SOUTH AFRICA**  
First Floor, Block C  
Pellmeadow Office Park  
60 Civin Drive  
Essexwold, Bedfordview 2007  
South Africa  
Tel: (27 11) 453-1400  
Fax: (27 11) 453-1500

Transfer Agent  
and Registrar—  
Common Shares

*Canada*  
**CIBC Mellon Trust Company**  
Corporate Trust Services  
PO Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario  
Canada M5C 2W9  
  
Tel: (416) 643-5500  
Collect calls accepted  
Toll free calls (from Canada  
and the US, except Alaska  
and Hawaii): 1-800-387-0825  
Fax: (416) 643-2008  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)  
e-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

*US*  
**The Bank of New York**  
New York, USA  
Tel: (212) 815-6436  
Toll free (US only):  
1-800-524-4458  
Website: [www.stockbny.com](http://www.stockbny.com)

*Australia*  
**ASX Perpetual Registrars**  
Sydney, Australia  
Tel: (02) 9285 7100  
Website: [www.asxperpetual.com.au](http://www.asxperpetual.com.au)

Investor Relations

Investor Relations enquiries should  
be directed to 1-800-565-5815.

Enquiries as to  
Shares and Dividends

Enquiries relating to shares or  
dividends should be directed  
to CIBC Mellon Trust Company,  
Toronto, 1-800-387-0825.

Auditors

**Ernst & Young LLP**  
*Chartered Accountants*  
Vancouver, British Columbia  
Canada

Annual Meeting

The 2003 Annual and Special  
Meeting of Shareholders will be held  
on Wednesday, April 30, 2003 at  
10:00 a.m. (EST), at the Royal York  
Hotel, Toronto, Ontario, Canada

(1) Member of Audit Committee  
(2) Member of Corporate Governance  
Committee  
(3) Member of Safety and  
Sustainability Committee  
(4) Member of Human Resources and  
Compensation Committee



## Cautionary Note

Some of the statements contained in this annual report are forward-looking statements, such as estimates and statements that describe Placer Dome's future plans, objectives or goals, including words to the effect that Placer Dome or management expects a stated condition or result to occur. Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to among other things, reserves, resources, results of exploration, reclamation and other post-closure costs, capital costs and mine production costs could differ materially from those currently anticipated in such statements by reason of factors such as the productivity of Placer Dome's mining properties, changes in general economic conditions and conditions in the financial markets, changes in demand and prices for the minerals Placer Dome produces, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in domestic and foreign areas in which Placer Dome operates, technological and operational difficulties encountered in connection with Placer Dome's mining activities, labour relations matters, costs and changing foreign exchange rates. This list is not exhaustive of the factors that may affect any of Placer Dome's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Placer Dome's forward-looking statements. Further information regarding these and other factors is included in the filings by Placer Dome with the US Securities and Exchange Commission and Canadian provincial securities regulatory authorities. "Placer Dome" is used in this annual report to collectively mean Placer Dome Inc., its subsidiary companies and its proportionate share of joint ventures. "Placer Dome Group" or "Group" means collectively Placer Dome Inc., its subsidiary companies, its proportionate share of joint ventures and also companies for which it equity accounts. "Placer Dome Group's share" or the "Group's share" is defined to exclude minority shareholders' interest. The "Corporation" refers to Placer Dome Inc.

Throughout this report, all amounts are in United States currency and based on US GAAP. Reference to future dollar amounts in 2003 represent nominal dollars, whereas dollar amounts in 2004 and beyond represent constant or uninflated dollars.



